

NORTH DEVON COUNCIL

Minutes of a meeting of the AUDIT COMMITTEE held at the Civic Centre, Barnstaple on Tuesday 27th January 2015 at 6.00 p.m.

PRESENT: Members:

Councillor Bradford (Chairman)

Councillors Harrison, Haywood and Ley.

Officers:

Chief Executive, Head of Financial Services (JT) and Corporate and Community Administrator (KD).

Also present:

Mr J. Micklewright - MAZARS Public Sector Internal Audit Limited.

Mr M. Bartlett - Grant Thornton.

54 APOLOGIES

Apologies for absence were received from Councillors Chesters, Croft, Hockin and Mrs L. Cave – Grant Thornton.

55 MINUTES

RESOLVED, that the minutes of the meeting held on 23rd September 2014 (circulated previously) be approved as a correct record and signed by the Chairman.

56 DECLARATIONS OF INTEREST

There were no declarations of interest announced.

57 EXTERNAL AUDIT COMMITTEE UPDATE

The Committee considered a report by Grant Thornton (circulated previously) regarding the Audit Committee Update for North Devon Council.

The External Auditor provided an update in relation to the progress of the audit plan as at 9th January 2015. He advised that work on the interim accounts audit was in progress and that work on the accounts audit plan 2014-15 was due to start and would be presented to the Committee in March 2015. Other works such as the final accounts audit 2014-15 was estimated to start in July 2015 and Housing benefit subsidy for 2014-15 in June 2015.

He informed that Grant Thornton's national report 'Rising to the challenge' was published in December 2014 and was available on their website. Hard

copies of the report could be circulated to Members of the Committee should they so wish. He further informed that another national report from Grant Thornton entitled '2020 Vision' which set out suggestions and several scenarios of the challenges for Local Government on how development towards 2020 could be achieved which was also available to view on their website. A revised CIPFA Code had been adopted which included a new suite of standards for accounting for subsidiaries, associates and joint arrangements, which would affect how local authorities accounted for services would be delivered.

The Committee was advised that the audit deadline for 2017/18 had been brought forward to the end of July 2018. Although this date was almost 4 years away local authorities and their auditors would have to make changes to ensure that they were 'match-fit' to achieve this deadline. The Head of Financial Services advised that his service was already looking ahead to bring forward work such as valuations and had started the ball rolling by having further discussions with Auditors.

RESOLVED,

(a) that the report be noted; and

(b) that the External Audit national report '2020 Vision' be circulated to the Committee.

58 EXTERNAL AUDIT ANNUAL AUDIT LETTER 2013/14

The Committee considered a report by Grant Thornton (circulated previously) regarding the External Audit Annual Audit Letter 2013/14.

The External Auditor advised that there were no new messages to report to the Committee, the report highlighted the summary of all the work carried out to date. He further advised that the language within the document had slightly changed due to it being published and available to various stakeholders.

The External Auditor drew the Committee's attention to appendix A of the report detailing the recommendation that the Council update their Medium Term Financial Strategy (MTFS) to identify detailed savings plans to meet the budget gaps. Since the publication of the agenda this recommendation had moved forward. Work was ongoing to develop the MTFS covering 2015-16 to 2017/18 and the updated MTFS was approved by Executive and Full Council in November 2014. The Head of Financial Services advised that works were also ongoing to find savings to close the gap in 2017/18. He further advised that the MTFS would be reviewed in the Autumn then onto Council in September 2015.

RESOLVED, that the report be noted.

59 **VALUE FOR MONEY REPORT 2013/14**

The Committee considered a report by Grant Thornton (circulated previously) regarding the Value for Money Report 2013/14.

The External Auditor advised that this report replaced the previous Financial Resilience Report which compliments the Audit Findings report and provides an additional Value for Money (VFM) conclusion. He highlighted the executive summary to the Committee and advised that a red/amber/green (RAG) rating was used when identifying the level of risk assessment. All risk areas provided a green rating apart from the Strategic Financial planning which included the MTFS but since the publication of the document the MTFS had moved forward as stated previously and been approved in November 2014. The External Auditor also advised of the Key Indicators of Financial Performance and showed that Reserves balances received an amber rating. He explained that this was due to the Council's policy of utilising reserves to remain debt free and minimise the use of external borrowing.

He advised that the next step and areas for consideration was for the Council to be provided with benchmarking data for the basis for decision making to understand areas of high spend within the service. Auditors would meet with Heads of Service to discuss further.

The External Auditor drew the Committee attention to appendix 1 of the report which highlighted the useable reserves to gross revenue expenditure ratio by using the Audit Commission's Financial Ratios Analysis Tools and VFM profiles to benchmark the Authority against its statistical nearest neighbours for relevant Key Performance Indicators. The chart showed North Devon Council at the bottom which the Committee were informed was again due to the Council's policy of utilising reserves to remain debt free. In response to a question the Head of Financial Services advised that some of the other Councils showed high useable reserves to gross expenditure ratio however they had short term and long term borrowing (debt). He further advised that it was a balancing act between reserves and level of debt.

RESOLVED, that the report be noted.

60 **PROTECTING THE PUBLIC PURSE FRAUD BRIEFING 2014**

The Committee received a presentation from Grant Thornton on Protecting the Public Purse Fraud Briefing 2014.

The External Auditor advised that the presentation had been prepared and based by the Audit Commission's corporation survey for 2013/14. He further advised that the presentation provided information to support councillors when considering their Council's fraud detection activities and showed the results against North Devon Council's comparators.

The External Auditor advised of the total cases detected and the value of detected fraud for Housing benefit and Council Tax benefit and, Council Tax discount fraud.

In response to a question, the Head of Financial Services advised that the Fraud team would be moving to the single fraud investigation service at the Department of Working Pensions (DWP) in May 2015. Currently the Council employ three fraud officers and one administrator. There would be further meetings with the DWP to consider whether all staff were transferred and if so what provision the Council would need to put in place.

The External Auditor advised that CIPFA would carry on producing fraud briefings, Anti Corruption Survey and Protecting the Public Purse.

RESOLVED, that the report be noted.

61 **CERTIFICATION REPORT FOR NORTH DEVON COUNCIL**
2013/14

The Committee considered a report by Grant Thornton (circulated previously) regarding Certification report for North Devon Council 2013/14.

The External Auditor advised of the certification fees for work undertaken during 2013/14 showing additional work was required to certify the housing benefit subsidy claim resulting in an additional cost of £7,366. He outlined the comments in relation to the claim and advised that the action plan for training housing benefit assessors to reduce the risk of errors being repeated in future claim had been actioned.

RESOLVED, that the report be noted.

62 **STATEMENT OF ACCOUNTS 2013/14 – TRADING**
OPERATIONS

The Committee considered a report by the Chief Financial Officer (circulated previously) regarding the Statement of Accounts 2013/14 – Trading Operations.

The Chief Financial Officer advised that the Statement of Accounts 2013/14 was formally approved by Council on 24th September 2014 whom requested that a report to explain the difference and reconciliation between management accounts and statutory accounts for the Trading Operations of the Council be presented to the Committee.

He advised of the regulations set out by CIPFA which include a number of non-cash accounting adjustments which show the full revenue cost of running the service area. However some of these entries are then reversed out. He drew the Committee's attention to detailed accounts of Car Parks, South Molton Cattle Market, Barnstaple Pannier Market, Corporate Properties, Ilfracombe Harbour, Seaside Undertakings and Trade Waste and Skips all of which showed the statutory accounts and the adjustments.

The Committee were satisfied that the Chief Financial Officer was able to erase concerns highlighted by explaining in detail what the accounts show and thanked him for his efforts.

RESOLVED, that the report be noted.

63 INTERNAL AUDIT REPORT – HOUSING BENEFITS 2014/15

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding Housing Benefits 2014/15.

The Internal Auditor advised that following the recommendation at the last meeting of the Committee, all internal audit reports would be presented in a summarised format unless a report showed a limited assurance. The Housing Benefits 2014/15 internal audit report presented a limited assurance therefore a full report was presented to the Committee.

The Internal Auditor advised that one priority one recommendation regarding aged overpayments and one priority three recommendation regarding public information had been made. All recommendations had been accepted by management.

RESOLVED, that the report together with the management responses and the limited assurance rating be noted.

64 INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding the Internal Audit Progress Report.

The Internal Auditor advised of the progress against the internal audit plan 2014/15. He also presented a brief summary of the following final reports all of which had been assigned the stated assurance levels:

Building Control

The Internal Auditor advised that two priority two recommendations had been made regarding fees. All recommendations had been accepted by management.

Council Tax

The Internal Auditor advised that two priority two recommendations had been made regarding reconciliation and password security. All recommendations had been accepted by management.

Debtors

The Internal Auditor advised that three priority three recommendations had been made regarding changes to standing data, debt recovery and request for stamped forms. All recommendations had been accepted by management.

Homelessness

The Internal Auditor advised that four priority two recommendations had been made regarding Policy Target, advertised homelessness prevention services, five area and outcome assessments and service response. All recommendations had been accepted by management.

Payroll

The Internal Auditor advised that three priority two recommendations had been made regarding updating of HR policies, changes to standing data and overpayments supported by signed agreement. All recommendations had been accepted by management.

Regeneration Projects

The Internal Auditor advised that three priority two recommendations had been made regarding funding and performance report. All recommendations had been accepted by management.

Staff Expenses

The Internal Auditor advised that one priority two recommendation had been made regarding expenses claims description and approval. All recommendations had been accepted by management.

Treasury Management

The Internal Auditor advised that two priority three recommendations had been made regarding financial guidance review and update and bank mandate review. All recommendations had been accepted by management.

Network Infrastructure

The Internal Auditor advised that five priority two and three priority three had been made regarding Network Device Security. All recommendations had been accepted by management.

Virus and Spyware Protection

The Internal Auditor advised that three priority two and one priority three recommendation has been made regarding review of ICT policies, patch management and antivirus/spyware detection. All recommendations had been accepted by management.

RESOLVED, that all the internal reports together with the management responses and the substantial assurance rating be noted.

65 **AUDIT RECOMMENDATION TRACKER**

The Committee considered a report by the Senior Projects Officer (circulated previously) regarding the Audit Recommendation Tracker.

The Head of Financial Services advised that since the Committee last met 13 high/medium recommendations had been completed. Heads of Services had been presented with new revised due dates for any outstanding recommendations in order to meet target dates. He highlighted the outstanding recommendations to the Committee and advised that Heads of Services were sent the recommendations on a regular basis and would be required to update as further work was completed.

The Head of Financial Services advised that the Annual Governance Statement showed the MTFS was still at 80% due to it being reviewed in September 2015.

RESOLVED, that the actions and identified risks contained within the report be agreed.

66 **WORK PROGRAMME 2013/14**

The Committee considered the work programme (circulated previously).

RESOLVED:

- (a) that the work programme be noted; and
- (b) that the External Audit letter be considered at the March 2015 meeting.

Chairman

The meeting ended at 7.44 p.m.

NOTE: These minutes will be confirmed as a correct record at the next meeting of the Committee.