

**NORTH DEVON COUNCIL**

Minutes of a meeting of the AUDIT COMMITTEE held at the Brynsworthy Environment Centre, Barnstaple on Tuesday 4<sup>th</sup> July 2017 at 6.00 p.m.

PRESENT: Members:

Councillor Flynn (Chairman)

Councillors Bradford, Chugg, Croft, Moore, Patrinos and Roome.

Also Present:

Mr. M. Towler – Mazars Public Sector Internal Audit Limited

Ms R. DeBradney – Mazars Public Sector Internal Audit Limited

Officers:

Chief Executive (MM), Head of Resources (JT), Head of Corporate and Community Services (KM) and Corporate and Community Services Officer (KJ).

**12 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Liz Cave and Mark Bartlett of Grant Thornton External Auditors.

**13 MINUTES**

RESOLVED that the minutes of the meeting held on 9<sup>th</sup> May 2017 (circulated previously) be approved as a correct record and signed by the Chairman.

**14 DECLARATIONS OF INTEREST**

There were no declarations of interest announced.

**15 INTERNAL AUDIT PROGRESS REPORT 2016/17**

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding the Internal Audit progress report for 2016/17.

The Committee was advised of the following updates on progress made against the Internal Audit Plan 2016/17:

- 18 internal audits had been completed during 2016-2017, with no areas of 'non compliance' recorded and one of 'good practice' recorded.

- With reference to the table 'Assurance Gradings' (on page 6) the Committee was informed that the percentage of projects completed with a grading of 'substantial' had risen from 60 to 67%.
- The number graded as 'limited' had increased from 7 to 11%.
- Of the 5 still in draft form – one was the security of premises and one was the CCTV audit (limited). The remaining three were 'substantial'.
- The Committee was advised that there had been a conscious decision to undertake fewer audits during 2016/17. This enabled each audit to be carried out in greater depth which had, as expected, led to more recommendations.
- A grading of 'Substantial Assurance' had been given to both the financial and non-financial systems.
- The Performance Measures (as identified on page 9) had all been met and exceeded. The Auditors confirmed that this had been aided by the help and support of the officers.
- Only one project "IT Asset Management" had a 'limited' assurance. The Committee discussed the implications of this and whether the reduction in staffing levels had contributed to the situation. The Chief Executive confirmed that this was inevitable leading to staff training issues which have been addressed. He also confirmed that the input from Internal Audit had been of great assistance through their advice on managing the impact of the loss of staff and subsequent changes to skill sets
- The Auditors confirmed the additional information for Appendix 3 as follows: Audits numbers 12, 14 and 16 were likely to be 'substantial'.

RESOLVED that the Internal Audit Progress report for 2016/17 be noted.

## **16 INTERNAL AUDIT PROGRESS REPORT 2017/18**

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding the Internal Audit progress report for 2017/18.

The Committee was advised of the following updates on progress made against the Internal Audit Plan for 2017/18:

- Progress was being made on the audits for quarter one.
- Three of the six Internal audits for quarter two had been programmed in.

RESOLVED that the Internal Audit Progress report for 2017/18 be noted.

## **17 EXTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report by Grant Thornton (circulated previously) regarding the External Audit progress report and update for the year ended

31<sup>st</sup> March 2017. The Head of Resources presented the report to the committee in the absence of the External Auditors.

The Committee was advised of the following updates on the progress made against the External Audit Plan for 2016/2017:

- The final Accounts Audit (planned for July to September 2017) would commence in the next two weeks. The Audit Findings Report would then be presented to the Committee in September.
- In relation to the topics listed by CIPFA on the Local Authority Accounting Panel Bulletin 105 it was noted that the 'Highways Network Asset' topic did not apply to this Authority.
- The 'Telling the Story' topic was now covered by the addition of a narrative statement at the start of the accounts.
- Additional publications were signposted within the report. Of these the "Planning for 100% Local Retention of Business Rates" was considered. It was noted that this was currently 'on hold' as it had not been covered during the Queen's Speech.

RESOLVED that the External Audit progress and update for year ended 31<sup>st</sup> March 2017 be noted.

## **18 ANNUAL GOVERNANCE STATEMENT 2016/17**

The Committee considered a report by the Head of Corporate and Community (circulated previously) regarding the Annual Governance Statement for 2016/17.

The Head of Corporate and Community highlighted the following points for the Committee:

### How we comply with the Framework:

- The CIPFA framework had changed. The details of which were set out on pages 37 and 38 of the report.
- **Principle B:** An example of how we were meeting the criteria concerning openness and comprehensive stakeholder management could be seen in how the situation regarding the theatres was handled.
- **Principle E:** had been met by the ongoing training on process reviews, the 21:21 project, training opportunities for Councillors and the involvement in the Apprenticeship scheme.
- **Principle F:** Risks were reported and risk registers monitored by the senior management team (SMT). Monitoring was carried out via the Covalent software. Audit recommendations were presented to the Audit Committee.

### Review of effectiveness:

- **Paragraph 5.2** – reference now made to the governance arrangements for MAZARS. Internal audit had undertaken 18 audits.

- **Paragraph 5.4** – the majority of complaints received were about the Planning service. The levels remain similar to the previous year. The outcome from the LGA Peer Review had been positive.
- **Paragraph 6** – “Cyber Security” would be added as an additional area of concern. “Potential for severe disruption of Council Services by extreme events” had been added as was now felt to be a significant issue.

The Head of Resources added that these governance issues were included on the Audit Tracker, reported to this Committee.

RECOMMENDED that the Annual Governance Statement proceed to Council for adoption as an accompaniment to the Statement of Accounts for 2016/17

## **19 STATEMENT OF ACCOUNTS 2016/17**

The Committee considered a report by the Head of Resources (circulated previously) regarding the Statement of Accounts for 2016/17.

He confirmed that currently the Statement of Accounts had to be produced by the 30<sup>th</sup> of June each year, but that next year this would be brought forward to the 31<sup>st</sup> May. It was noted that NDC had brought their accounts forward in stages in preparation for the changes to the time scale and the 2015/16 draft accounts were signed on 13 June 2017. There would be no financial penalties if the new deadline was missed, however, it would affect the reputation of the Council and could create public criticism. The external audit of the accounts would begin during the week commencing 10<sup>th</sup> July 2017 and would take 3-4 weeks.

The Head of Resources highlighted the following points for the Committee:

- The narrative report explained the background and challenges faced. It reviewed the previous financial year and set out the aims for the future.
- The final outturn position was a budget surplus of £0.349m. This had been achieved by reduced borrowing costs, increased income from Business Rates, additional planning fees and savings from additional employee vacancies.
- It was recommended that the £0.349m was added to the reserves to be used to offset any future decrease in Business Rates. It was also recommended that some of the surplus be placed into a separate reserve for the provision of replacement car parking pay and display machines. (Which had already been approved for replacement).
- The Authorities Revenue Reserves were summarised as follows:

General Revenue Account	£1.161m
Earmarked Reserves	£6.520m
<b>Total</b>	<b>£7.681m</b>

It was noted that the General Revenue Account balance was at 9.7% of the net budget (the recommended level is 5-10%) and the Earmarked Reserves had increased on the previous year due to the

addition of £700,000 received in March in the form of the Government's Community Housing Fund Grant.

- The medium-term financial plan for 2017/18 had no budget-gap. The future budget gaps would hope to be bridged with expected savings, for example, from the Recycle More project if rolled out further across the Authority's area. The Theatre subsidies were currently still budgeted for, however, the actual levels required for 2018/19 and beyond were still unknown and may not be needed at this level depending on future plans for the Theatres.
- The headings used on the 'Comprehensive Income and Expenditure Statement' had been changed to reflect service areas, rather than the previous categories as defined by the Government.
- The Balance Sheet showed increased Long Term Assets. This was mainly due to the increase in the valuation of the car parks and the Theatres.
- A significant change in the Long Term Liabilities figure was the result of a change to the pension liability valuation caused by the use of a reduced discount value factor being applied. This discount rate used was required by the Accounting Standards. The contributions into the pension fund would offset this in future years.
- Overall there was no major change to the net value of the assets.

In response to a question regarding why the target set within the Key Performance Indicators information for 'Planning: NI 155a Percentage of major applications processed within 13 weeks was set at a low figure of 45%, the Chief Executive confirmed that the level was an historic minimum target set by the government. He also explained that some of the extensions were granted at the request of the applicants to allow for extra works and reports to be carried out – such as environmental studies. Often these were required prior to planning permission being granted hence the requests for extensions. They were not necessarily at the request of the Planning Team.

RECOMMENDED that the draft Statement of Accounts for 2016/17 be approved.

## **20                      AUDIT RECOMMENDATION TRACKER**

The Committee considered a report by the Head of Corporate and Community (circulated previously) in respect of actions taken to address internal and external audit recommendations.

The Committee noted the following updates:

- Table C:        **16 BCM 05** - a revision to the due date was requested.
- Table D:        **16 C & CE 03** – all departments were affected by this item. A training programme had been formulated but it was not confirmed whether 'Contract Management' had been included. The Head of Resources advised that progress for this action should be set higher than 0% as some departments had undergone training.

- It was also noted that training needs would be identified during the appraisal process which would be starting soon.
- Table D: **16 PL 03 S106** - it was expected that this item would require an extension as it could not be completed until the new ICT software system had been installed for the planning team.
- Table D: **17 RM & CG 02** - that this item was expected to be completed prior to the next Audit Committee.

RESOLVED that:

- (a) the Head of Corporate and Community present an update in relation to item 16 C & CE 03 on table D at the next Audit Committee;
- (b) the requests for revision to due dates as set out in table C be agreed;
- (c) the report be noted.

## **21 WORK PROGRAMME 2017/18**

The Committee considered the work programme for 2017/18 (circulated previously).

RESOLVED that the report be noted.

Chairman

The meeting ended at 7:05 p.m.

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