

NORTH DEVON COUNCIL

Minutes of a meeting of the AUDIT COMMITTEE held at the Brynsworthy Environment Centre, Barnstaple on Tuesday 5th September 2017 at 6.00 p.m.

PRESENT: Members:

Councillor Flynn (Chairman)

Councillors Bradford, Croft, Patrinos and Roome.

Also Present:

Mr M. Towler – Mazars Public Sector Internal Audit Limited

Mr M. Bartlett – Grant Thornton

Ms L. Cave – Grant Thornton

Officers:

Chief Executive, Head of Resources, Business Information Support Manager and Senior Corporate and Community Services Officer (BT).

22 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Chugg and Moore.

23 MINUTES

RESOLVED that the minutes of the meeting held on 4th July 2017 (circulated previously) be approved as a correct record and signed by the Chairman.

24 DECLARATIONS OF INTEREST

There were no declarations of interest announced.

25 INTERNAL AUDIT REPORT – IT ASSET MANAGEMENT

The Committee considered a report by MAZARS Public Sector Internal Audit Limited (circulated previously) regarding the Internal Audit report on IT Asset Management.

The Internal Auditor advised that one “Priority one” and six other recommendations had been raised, agreed with management and proposed actions suggested. The Internal Audit report had been presented to the Committee as a “limited” assurance had been given as there were weaknesses in the system of controls.

The Business Information Support Manager advised that there had been various issues with the IT Asset Management Policy. It had now been revised and approved by the Senior Management Team on 4th September 2017. It now incorporated a life cycle policy whereby the assets would be reviewed on a regular basis. Currently all IT assets were stored on a spreadsheet. Consideration was currently being given to the possibility of utilising an existing IT system “Technology Forge” to store this data. Previously there had been only one member of staff with responsibility for IT asset management. Two additional members of staff had now been trained in this role. Heads of Service and Middle Managers would be required to take some responsibility in relation to mobile IT assets and would have responsibility of ensuring that any lost, stolen or missing mobile assets were reported and ensure that data was held securely. A clear audit trail was now in place for the disposal of IT assets. Spot checks would also be undertaken in relation to mobile IT assets held by Officers and Members. Staff were provided with regular updates in relation to security and cyber attacks. Key messages from the IT Asset Management Policy would be provided to all staff and all new starters. An update would be provided at a Managers Forum, which would enable managers to cascade key messages to staff within their teams. All new staff were currently required to sign a form confirming that they had read the Data Protection and Email policies.

RESOLVED:

- (a) that the report together with the management responses and the “limited” assurance rating be noted;
- (b) that a summary version of the IT Asset Management Policy be produced and that all staff be required to sign a form confirming that they had read the Policy.

26 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 update on progress made against the Internal Audit Plan 2017/18:

- Two internal audits had been completed. Four internal audits were in progress and the field work had now been completed.
- In relation to the average period between the close out meeting and issue of the draft report, the actual number of days taken were higher than the target due to staff sickness.

The Committee noted a typographical error on page 24 of the report and should have stated “two” priority two recommendations.

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

27 **EXTERNAL AUDIT FINDINGS REPORT**

The Committee considered a report by Grant Thornton (circulated previously) regarding the External Audit findings report.

The External Auditor advised the following in relation to the audit of the financial statements:

- That the audit undertaken of the statement of accounts had gone well with the draft financial statements and accompanying working papers being received at the commencement of the audit, in accordance with the agreed timetable.
- No adjustments affecting the Council's reported financial position had been identified.
- A number of adjustments had been recommended to improve the presentation of the financial statements.
- The draft accounts were produced to a good standard, with the audit being facilitated by good supporting working papers and excellent assistance from the financial services team.
- A key message arising from the audit of the Council's financial statements, was that following a significant revaluation increase in 2016/17, it had been identified that the valuation basis of the Queens Theatre in previous years was not appropriate. The Theatre should have been valued on a Depreciated Replacement Cost basis. This had resulted in a Prior Period Adjustment to the 2015/16 balance sheet for £7.2m because it was a material amount. Valuations were still being carried out as at 1 April (with a review carried out at 31 March) instead of the balance sheet date of 31 March, so even the most recent were a year out of date. Property Plant and Equipment (PPE) should be valued at the latest practical date for the financial year i.e. 31 December or later.
- No significant weaknesses had been identified.
- An unqualified audit opinion would be given in respect of the financial statements.
- The Council's narrative report and Annual Governance Statement were consistent with the audited financial statements.
- Overall materiality had been determined as £1million in accordance with the audit plan.
- Audit findings identified against significant and other risks.
- Accounting policies, estimates and judgements included within the Council's financial statements.
- Other communication requirements which were required by auditing standards and the Code to communicate to those charged with governance. The standard letter of representation requested from the Council would be considered for approval at the Council meeting on 6th September 2017. Confirmation had been obtained from the Council to

send confirmation requests to the Council's bankers and institutions where the Council had funds invested.

- Recommendations in relation to internal controls which had been accepted by management and included within the action plan.
- Adjusted misstatements which had impacted on the 2015/16 statement of accounts in relation to the valuation of the Queens Theatre.
- Misclassifications and disclosure changes identified during the audit which had been made in the final set of financial statements.
- Value for Money conclusion and recommendation made which had been accepted by management and included within the action plan. The Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.
- Fees, non-audit services and independence.
- Communication of audit matters.
- Action plan as detailed in Appendix A.

The Head of Resources advised that the Queens Theatre had been previously valued at £0.250m, which was based on capitalisation of rental income and lease arrangements. The Theatre had been revalued in 2016/17 on a Depreciated Replacement Cost following the Theatres Trust going into administration. The Theatre was insured at a higher value and on a different basis. A meeting would be held with the valuers to discuss whether it was practical to change the date of the valuations. A rolling programme for valuing properties was in place and 20% were revalued each year.

The External Auditor confirmed that Grant Thornton would no longer be involved with undertaking Investors in People assessments.

The Head of Resources advised that the deadline for the production of the statement of accounts for 2017/18 would be brought back by two weeks in 2018 and would be required to be produced by 31 May 2018.

The External Auditor also advised that the deadline for the audit of the financial statements would be brought forward by two months. Council would be required to approve the Statement of Accounts by 31 July 2018.

RESOLVED:

- (a) that the recommendations together with the management responses be noted;
- (b) that the Head of Resources and his team be congratulated on their work in the preparation of the statement of accounts.

28 LETTER OF REPRESENTATION

The Committee considered the External Audit letter of representation in respect of the Financial Statements for the year ending 31st March 2017 (circulated previously).

RESOLVED that the contents of the letter be noted and signed off at full Council by the Chair of Council and Head of Resources.

29 HALF YEARLY REPORT OF THE CHAIR OF THE AUDIT COMMITTEE

The Committee considered the half yearly report to Council by the Chairman on the work of the Audit Committee (circulated previously).

RESOLVED that the half yearly report to Council on the work of the Audit Committee be noted and presented to full Council on 6th September 2017.

30 CORPORATE RISK REGISTER

The Committee considered a report by the Head of Corporate and Community Services (circulated previously) regarding the Corporate Risk Register and the identification and management of key business risks.

The Committee discussed the main risks affecting the Council and asked questions in relation to the same.

The Head of Resources advised that the Corporate Risk Register had been reviewed by the Senior Management Team on 4th September 2017 and Corporate Risk Group. It was recommended that the following risks be de-activated:

- F CRR 20 Cost of Local Government Pension Scheme – recommended it be de-activated as the tri-annual valuation had been undertaken last Autumn. The costs were now known for the next three years and had been built into the financial plan.
- G CRR 47 Taxi and Private Hire licensing fees must be correctly advertised/justified and they should not be profitable/any surplus must be carried forward – recommended it be de-activated as it had been included on the risk register historically due to a potential challenge on setting fees. The fees had been set and demonstrated that the service broke even.
- R CRR 51 Rats at Brynsworthy – recommended it be de-activated as the rats had not re-appeared and no further incidents had occurred.

The Committee noted a typographical error in the description of risk G CRR 26 Meeting recycling targets and that the word “succeeded” be replaced with “exceeded”.

RESOLVED:

- (a) that the Corporate Risk Register as detailed in the report be noted;

- (b) that the following risk be de-activated from the Corporate Risk Register:
 - (i) F CRR 20 Cost of Local Government Pension Scheme;
 - (ii) G CRR 47 Taxi and Private Hire licensing fees must be correctly advertised/justified and they should not be profitable/any surplus must be carried forward;
 - (iii) R CRR 51 Rats at Brynsworthy.
- (c) that the following changes in the approach taken to the following risks be noted:
 - (i) G CRR 36 Fraud and Corruption – approach taken “tolerate”;
 - (ii) G CRR 42 Failure of supply chain partner – approach taken “treat”;
 - (iii) G CRR 45 Safeguarding children and vulnerable adults – approach taken “treat”.
- (d) that the target risk F CRR 00 Clear direction in relation to significant budgetary challenges be amended to ensure that the likely risk was inline with impact.

31 CONSULTATION ON AUDITOR APPOINTMENT FROM 2018/19

The External Auditor left the room during the consideration of this item.

The Committee considered a letter from the Chief Officer of the Public Sector Audit Appointments Limited (circulated previously) regarding the proposed appointment of Grant Thornton (UK) LLP to audit the accounts of the Council for five years from 2018/19.

RESOLVED that an email be sent to the Public Sector Audit Appointments Limited accepting the appointment of Grant Thornton (UK) LLP to audit the accounts of the Council for five years from 2018/19.

32 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.

A copy of a revised page 99 containing Table B was tabled as some information had been omitted in the agenda.

The Committee noted the following updates:

- Four recommendations had been completed since the last meeting of the Committee.
- Requests had been received from Heads of Service to amend the due date in relation to three recommendations as detailed in Table C.
- 16 C & CE02 Due Diligence of Consultants – that the contract procedure guidance within the Constitution would be reviewed and be presented to a future full Council meeting for approval.

RESOLVED:

- (a) that the actions that have been taken to address risks since the 4th July 2017 meeting be noted;
- (b) that the requests from Heads of Service for a revision date for outstanding audit recommendations as detailed in Table C be approved;
- (c) that audit recommendation 16 PL 03 106 Agreements be closed as the process had now been reviewed and the procurement of an IT system was separate to the recommendation;
- (d) that the progress bar for audit recommendation 16 C & CE 03 Training be amended as some progress had been made;
- (e) that the Head of Environmental Health and Housing be invited to attend the meeting of the Committee to provide an update in relation to audit recommendation 15 HN (CBL) 01 as the due date had previously been revised and the recommendation was still not complete;
- (f) that the due date in relation to recommendation 14 AGS 02 Review & update the IT Disaster Recovery Plan be amended to April 2018;
- (g) that a narrative report be produced in relation to the longer standing live audit reports contained within Table A to enable the Committee to ascertain whether they were still appropriate and had not been superseded.

33 WORK PROGRAMME 2017/18

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

RESOLVED:

- (a) that the work programme for 2017/18 be noted;
- (b) that the Audit Committee training session arranged on 9th January 2018 be included within the work programme.

Chairman

The meeting ended at 7.35 p.m.

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