

NORTH DEVON COUNCIL

Minutes of a meeting of the AUDIT COMMITTEE held at the Brynsworthy Environment Centre, Barnstaple on Tuesday 9th January 2018 at 6.00 p.m.

PRESENT: Members:

Councillor Flynn (Chairman)

Councillors Moore, Patrinos and Roome.

Also Present:

Ms R. DeBradney – Mazars Public Sector Internal Audit Limited

Mr M. Bartlett and Ms G. Daly – Grant Thornton

Officers:

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

34 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Bradford, Chugg and Croft.

35 MINUTES

RESOLVED that the minutes of the meeting held on 5th September 2017 (circulated previously) be approved as a correct record and signed by the Chairman.

36 DECLARATIONS OF INTEREST

There were no declarations of interest announced.

37 INTERNAL AUDIT CHARTER

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

The Internal Auditor advised that the detail of the Internal Audit Charter was explained in a training session provided to the Committee earlier that day. She confirmed that the layout of the report differed slightly to that provided in 2016/17 but the content was similar.

The Internal Auditor advised that the Internal Audit Charter set out the work to be undertaken by internal audit and the matters to which the Council must

comply. It defined the roles of the Audit Committee, the Chief Officers and the Section 151 Officer.

The Internal Auditor advised that six audits had been independently reviewed and been confirmed as completed to a satisfactory standard.

RESOLVED that the report be noted.

38 INTERNAL AUDIT PROGRESS REPORT 2017/18

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

The Committee was advised of the following in relation to the Internal Audit Plan 2017/18:

- Four internal audits had not been completed due to the time taken off by the internal auditor due to sickness. This had been unforeseen and Mazars had been unable to provide alternative staff to cover her programmed audits. Due to the time period (prior to Christmas) the resources were already being used elsewhere.
- These audits had now been programmed to take place in January and February and would hopefully be completed by the end of the financial year. Extra resources would be provided by Mazars to achieve this.
- Performance indicator number. 2 “Average period between the receipt of final management responses and issue of the final report” was shown as 19.5 days (the target was 10 days). This was due to the delay on some audits early in the year which were not completed promptly (affecting the average for the period). The delay was due to Mazars.
- Much work had been completed since the previous Committee meeting (in September 2017).

The Head of Resources confirmed that he had been working with Mazars to programme the dates for the remaining audits and that the Council would need to look at ensuring that audits programmed for 2018/19 were completed earlier in the financial year.

In relation to questions, the Committee were advised that:

- The department heads would need to adopt a stronger approach with their managers in order to ensure that the audits were completed earlier in the year without need for date extensions.
- The Licensing audit (as per Appendix 1 of the report) was classed as a high anticipated risk. This was due to the nature of the works as a whole as the fee structure was such that the income generated must only offset expenditure and not generate profit. As such this means that the balance was easily affected by any non-payment of fees. The

Chief Executive also explained that changes in service can affect a risk level but it was not a reflection of the service itself.

- The Customer Services audit was also classed as high risk due to staffing changes at management level.
- The 'Priority 3' recommendation in appendix 2 had been addressed. Councillors and staff were required to provide fuel receipts with claim forms, however, it was noted that at present a small number of claims without them were still being paid.

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

39 EXTERNAL AUDIT ANNUAL AUDIT LETTER

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

The External Auditor advised the following in relation to the Annual Audit Letter:

- That, in the Executive Summary, an "Unqualified" opinion had been made on the Council's financial statements on 7th September 2017.
- They were satisfied with the Value for Money conclusion.
- They certified that they had completed the audit of the accounts on 7th September 2017.
- The work on the Housing Benefit subsidy claim was not yet complete but will be ready to be presented to the Committee on 6th March, 2018.
- The fees were confirmed in the letter as follows: Statutory audit of Council £47,401, Housing Benefit Grant Certification £13,213 and Investors in People (IIP) reaccreditation £10,350. It was noted that Grant Thornton would not be carrying out the IIP reaccreditation in 2018/19.

The Head of Resources advised the Committee that the 2017/18 valuation of the "Property, plant and equipment (PPE)" had been carried out in preparation for the earlier closedown of accounts.

RESOLVED that the External Audit Annual Audit Letter be noted.

40 EXTERNAL AUDIT PROGRESS REPORT

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

The External Auditor advised the following

- That the following works for 2016/17 had been completed in full: Fee Letter, Accounts Audit Plan, Interim Accounts Audit, Final Accounts

Audit, Value for Money conclusion, Annual Audit Letter and Housing Benefit subsidy claim.

- Changes to the Code of Practice on Local Authority accounting were listed for 2017/18.
- Information was provided in the report relating to the independent review of Building Regulations and Fire Safety, Local Authority (LA) Revenue Expenditure and Financing 2016/17 and “Combined Authorities”.

The Chief Executive advised that the Local Authority had to provide the Government with details of any properties deemed to be high-risk. This generally would be tower blocks. He advised that this area only had two properties in the risk category due to height and occupation, which were both Victorian properties in Ilfracombe which were classed as ‘houses in multiple occupation’ (HIMO). These were not particularly high-rise but had high frontages. No properties in the area were of risk due to cladding or similar problems, so a ‘nil-return’ was completed. He noted the tallest property in the area was the Civic Centre (owned by Devon County Council) and currently unoccupied.

The External Auditor confirmed that Grant Thornton would no longer be involved with undertaking Investors in People assessments and that the Housing Benefit subsidy work would no longer be part of the procurement process. It would be treated as a separate audit in 2018/19 and guidance was due in March 2018 covering this.

The Head of Resources advised that an update on procurement regarding services for the audit of Housing Benefit subsidy would be brought to the Committee in March. This would be an annual contract and a procurement exercise will need to be performed.

The External Auditor also advised that the procurement of external audit services was covered in the report (page 42 of the agenda).

RESOLVED that the report be noted.

41 ANNUAL REVIEW OF THE COMMITTEE’S EFFECTIVENESS

The Committee considered a report by the Head of Resources regarding the Annual Review of the Committee’s Effectiveness (circulated previously). The results of the questionnaire, which had been issued to the Committee Members regarding the effectiveness of the Audit Committee, were presented by the Head of Resources.

The Committee noted the following:

- There had been six completed questionnaires (of a total 7 issued) which was a 85% response rate. This was higher than the previous year.
- The responses overall had been positive.

In response to some of the comments made on the completed questionnaires the Head of Resources confirmed the following:

- Each member of the Committee will have previously declared all business interests in their annual return for the Statement of Accounts. This was a legal requirement and would have been done without fail even if a nil return. One member had noted on their form that they could not remember doing this. It was confirmed that this would definitely have been done.
- The reference to the Audit Commission on the questionnaire was an error as the template had not been updated from the previous year. Reference should have been made to the Annual Audit Letter from the External Auditor (which was on the agenda for this Committee).

The Chairman confirmed that the issue of attendance of Members at meetings of the Committee had been brought to the attention of the Leader of the Council who had assured her that it would be addressed.

RESOLVED that the Annual Review of the Committee's Effectiveness be noted.

42 21:21 PHASE 2 REPORT

The Committee received a presentation by the Head of Corporate and Community Services regarding the 21:21 Phase 2 project.

The Head of Corporate and Community Services confirmed and explained the following:

- that the primary purpose of the Council and Corporate Objectives was to deliver services to the customers' expectations and be a community leader.
- The two priorities were "Organisation Transformation" and "Growing North Devon".
- 21:21 aimed to deliver the priorities, strengthen customer focus, modernise and improve services, enable online payments, make savings, deal with majority of customers' queries at the point of first contact, deliver services that meet expectations, deliver through a change in culture.
- The themes were: 'Leaning and transformation of processes', 'One site', 'Improve Waste and recycling Service' and 'Income generation'.
- As part of 'One Site' it was noted that the second storey had been completed on the modular building, Legal, Human Resources and Environmental Health and Housing had moved to Brynsworthy site. The car parking survey had been completed and new security arrangements were being introduced.
- The service changes trials for Recycle More had been completed and a customer satisfaction survey would be issued soon to those customers in the trial area. The trial area was showing general positivity.

- The in-cab system (Bartec) was now being used. This linked in to the Customer Relationship Management (CRM) system enabling improved communication between customer services and the waste and recycling crews. The CRM had been installed and put to use in record time.
- 13,000 customers had been expected to sign up to the green waste scheme. To date 17,000 customers had signed up.
- 350 extra tonnes of dry recycling had been collected in first five months.
- The Recycle More project had faced problems such as the late delivery of the vehicles from the supplier, and the unreliability of the hire vehicles provided for use in the interim period. Extra costs had been incurred for vehicles and staffing. There had been an increase in missed and delayed collections, resulting in adverse public relations for the Council.

In response to a question from the Committee, the Head of Resources confirmed that the original savings target of £340,000 during 2017/18 had not been met due to one-off implementation costs incurred this year. The routes were now being re-modelled by an in-house team, with the aim of reducing the number of rounds and increasing efficiency. With the addition of the increased income from sales of the additional material collected it was expected that the savings target of £340,000 would be achieved for 2018/19.

Following questions from the Committee, the Head of Corporate and Community Services advised;

- that any roll-out of the new system would be considered once the feedback from the customer satisfaction survey had been received. It was expected that, if the decision was made to roll out the changes that this would be done in phases.
- New properties would be added to the Bartec system once the property had been allocated its unique ID number. This was usually done once a property had been set up on the Council Tax system. He advised that in some cases, on new development sites, that the developers may be liable to provide services until the site was adopted. This would vary from site to site.
- Discussions were taking place with Waste and Recycling staff in order to check over planned routes and identify possible problems with access (eg low bridges, narrow roads)
- Devon County Council provided information to the Council in relation to road closures. This did not include details of emergency closures.

The Head of Corporate and Community Services explained that:

- Future changes included flexible charging models in future years, greater involvement with the crews, increased recycling rates, remodelling of Green and Black rounds, and new bailer options. In relation to 'Leaning and Transformation of Services' he confirmed that this included new ICT systems (Firmstep, Bartec, Wi-fi, payment

systems, telephony, desk-top solutions, website, and new MFDs (multi-functional devices/printers). New ways of working were being considered for the Revenues and Benefits, Waste and Recycling, Environmental Health, and complaints processes. It was noted that recent changes to working practices within the Revenues and Benefits team had resulted in the reduction of the backlog of Council Tax work to just two days' processing time.

- Sources of income generation included the income from the new waste and recycling service; income from sales of the additional recyclable materials collected and the fees from the Green Waste service. The Council would shortly be reviewing its Asset Strategy.
- The use of Castle Street as temporary accommodation (over the costs of placements in alternative short-term accommodation) could realise net savings of £20,000 per year per household placed. The Executive had approved the purchase of further properties.
- Other projects were ongoing within the Council. These included the new leisure centre, the extension to the museum, new water-sports centre, plans for Seven Brethren, the Local Plan, Growth Agenda, and a Joint Building Control Service.

The Chairman congratulated the Council on the volume of work which was underway and advised that Councillors may not all be aware of the full scope of the works planned.

RESOLVED that the presentation be noted.

RECOMMENDED that the Head of Corporate and Community Services give a presentation on the 21:21 Phase 2 Project at the next Full Council meeting.

43 AUDIT RECOMMENDATION TRACKER

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

The Committee noted the following updates:

- Nine 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.

The Head of Environmental Health and Housing addressed the Committee in respect of recommendation 15 HN (CBL) 01 "Housing Waiting List Review".

The Chairman expressed her concerns regarding the workload of his team and whether the recommendation could be completed without further resources or assistance.

The Head of Environmental Health and Housing confirmed that there were 2786 entries on the list. His target was to review a further 900 from this list by the end of the financial year. He advised that those remaining on the list could not be contacted by email and that contact could now only be made in person or by post. This had been causing delays. He confirmed that although a member of staff had recently left due to family commitments that this recommendation was achievable by the new date as requested. He would be putting in additional resources in order to reduce the list to a level that could be maintained regularly, rather than build up to a large task again. He noted that due to the age of some of the records on the list that many may be obsolete now, but new names were added to the list weekly.

In response to a question from the Committee, the External Auditor (GD) confirmed that Grant Thornton were confident that they were able to meet the new dates set for the completion of the audit in 2018/19. They would be bringing a large proportion of the audits to the earlier part of the financial year to ensure completion dates were met. She did confirm that there would be an element of estimated figures and judgements made within the accounts.

The Head of Resources reiterated that the use of estimates and judgements within the accounts would be a necessary trade-off in order to meet the new dates.

RESOLVED:

- (a) that the actions that have been taken to address risks since the previous 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;

44 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 dates for the Committee meetings for 2018/19 be added to the tracker.

Chairman

The meeting ended at 7.30 p.m.

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