

**NORTH DEVON COUNCIL**

Minutes of a meeting of the AUDIT COMMITTEE held at the Brynsworthy Environment Centre, Barnstaple on Tuesday 12<sup>th</sup> June 2018 at 6.00 p.m.

PRESENT: Members:

Councillor Flynn (Chairman)

Councillors Croft, Lovering, Moore and Patrinos.

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) and Corporate and Community Services Officer (KJ).

**1 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Haywood.

**2 MINUTES**

RESOLVED that the minutes of the meeting held on 6<sup>th</sup> March 2018 (circulated previously) be approved as a correct record and signed by the Chairman, subject to minute 51, third paragraph; the work 'aould' being amended to 'could' due to a typographical error.

**3 DECLARATIONS OF INTEREST**

There were no declarations of interest announced.

**4 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 Progress Report 2017/18:

- Two reports were outstanding. These would be finished by the end of June 2018.

- There was an error on the report in “Appendix 2 - Internal Audit Recommendations 2017/18”. It noted that two ‘priority 2’, and five ‘priority 3’ recommendations were raised, when it should read that one ‘priority 2’ and two ‘priority 3’ recommendations were raised. This would be corrected and the amended report be sent to the Committee.

In response to a question from the Committee, the Internal Auditor advised that the recommendations in relation to the Grants audit had not previously been addressed as this had been the first audit of this service for a number of years. She confirmed that a result of Substantial Assurance had been achieved.

The Head of Resources confirmed that this was an additional audit which had been requested by the Local Authority, rather than by Internal Audit.

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

## **5 EXTERNAL AUDIT FEE LETTER 2018/19**

The Committee considered Grant Thornton’s External Audit fee letter for 2018/19 (circulated previously).

The External Auditor (GD) explained the fee letter, the basis for the fee to be charged and the outline audit timetable. She advised that the scope of the fee was the same as the prior year and the proposed timetable for 2018/19 was included.

In response to a question from the Committee, the External Auditor (MB) confirmed that the fee was lower than in 2017/18.

The Head of Resources confirmed that the Housing Benefit Audit had to be separately procured but, together, the two fees were expected to be within the overall audit budget.

RESOLVED that the External Audit Fee letter for 2018/19 be noted.

## **6 EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

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

The External Auditor advised the following:

- That the report detailed the progress as at 31<sup>st</sup> May 2018.
- The report detailed the planned dates, and status, of the Audit Deliverables.

- There had been no issues with the following five areas of work at the interim stage: Internal Audit, Entity level controls, Review of information technology controls, Walkthrough testing and Journal entry controls.
- Early substantive testing had been ongoing in areas of employee remuneration, welfare benefits expenditure and operating expenses for the first eleven months of the financial year.
- The report included the following articles of interest: Sector Update, The Vibrant Economy Index - A New Way to Measure Success, and Financial Sustainability of Local Authorities 2018.
- The latter article had identified that, for the first time, a Section 114 notice had been issued against a Local Authority. The External Auditor advised that he believed this would not be the only Local Authority to be issued such a notice. The Section 114 notice indicated that the Local Authority (Northamptonshire County Council) was at risk of spending more than the resources they had available.

RESOLVED that the External Audit Progress and Sector Update for the year ended 31<sup>st</sup> March 2018 be noted.

## **7 ANNUAL GOVERNANCE STATEMENT 2017/18**

The Committee considered a report by the Head of Corporate and Community (circulated previously) regarding the Annual Governance Statement for 2017/18.

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

- When approved, the statement would form part of the Statement of Accounts.

How we comply with the Framework (Principles A-G: of which the following were discussed)

- **Principle B:** An example of how the Council was meeting the criteria concerning openness and comprehensive stakeholder management could be demonstrated by the regular Parish Forums and Public Consultations.
- **Principles C and D:** The Council has two objectives of Service Improvement and Growth. These were being demonstrated in the 21:21 project, and the Growth Workshops being held currently.
- **Principle E:** had been met by the ongoing training on process reviews, the 21:21 project. The 21:21 project had also focused on the streamlining of processes to improve capacity.
- **Principle F:** Risks were reported and risk registers monitored by the senior management team (SMT). Recommendations were passed through the Committees to enable transparency.

Review of effectiveness:

- **Paragraph 5.2** –Internal audit had undertaken 18 audits.

- **Paragraph 5.4** –The level of complaints in 2016/17 remained similar to the previous year. A total of 25 had been received, with the largest number (12) coming from the Planning area.
- **Paragraph 6** – “Potential for severe disruption of Council Services by extreme events” was still considered to be a significant issue. The ongoing review of the business continuity plans would work to tackle this. “Development of an Action Plan to implement recommendations from the IIP report and Peer review” had been noted under “other issues”. It had been resolved to develop a full action plan with timescales for implementation.

In response to a question from the Committee, the Head of Resources added that these governance issues were included on the Audit Tracker, reported to this Committee.

The Chief Executive addressed the Committee and advised that the Council needed a global approach to business continuity and to identify the services most urgently required in the event of a disaster, eg following a failure of the ICT systems. That priority should be based on the results of the effects of the loss of the service on the public, eg, the effects of the failure of the Housing Benefit payment system on those waiting on payments. Once the highest priority services, were identified, then the resources could be targeted on fixing those issues ahead of other less urgent systems, such as the email server. This approach would enable Managers to have a clear focus and prioritise their actions should the worst happen. He emphasised the importance of an effective communications systems in such events as this would help to field the less urgent enquiries from the public which could be intercepted if current helpful information was available to them (eg online).

In response to a question from the Chairman, the Head of Corporate and Community Services confirmed that although the Ethics Committee had not met for some years it would be called if required.

RECOMMENDED that the Annual Governance Statement proceed to Council for adoption as an accompaniment to the Statement of Accounts for 2017/18.

## **8 REVIEW ON GOVERNANCE ARRANGEMENTS**

The Committee received an update by the Head of Corporate and Community Services regarding the review on Governance Arrangements.

He advised that:

- A report on the Review on Governance Arrangements would be presented to Full Council in July.
- The report would recommend that a cross-party working group be created which would look at the current arrangements in detail. They would then consider the principles of the current and alternative structures. Under the Localism Act, Local Authorities had been granted

powers to return to a Committee Structure, rather than Executive arrangements, should they wish to do so.

- Any changes to the structure would need to be implemented prior to the next election in 2019.

RESOLVED that the report be noted.

## **9 STATEMENT OF ACCOUNTS 2017/18**

The Committee considered a report by the Head of Resources (circulated previously) regarding the Statement of Accounts for 2017/18.

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 accounts now had to be ready one month earlier than previously (by 31<sup>st</sup> May 2018). He noted that they had been signed off on 29<sup>th</sup> May 2018.
- The final outturn position was a net budget surplus of £0.504m which was an overall movement of £0.516m from the last forecast at quarter 3. Having made provisions for voluntary redundancy and early retirement costs left a residual surplus of £0.210m, which was proposed to be earmarked into the following reserves:
  - £0.070m to Economic Development Reserve
  - £0.030m to Office Technology Reserve
  - £0.030m to CCTV Reserve
  - £0.040m to Repairs Fund Reserve
  - £0.040m to Office Accommodation Reserve
- The Authority's Reserves were summarised as follows:

General Revenue Account	£1.161m
Earmarked Reserves	£5.647m
<b>Total</b>	<b>£6.808m</b>
- The Comprehensive Income and Expenditure Statement showed a net expenditure for 2017/18 of £2.127m. This figure was prior to the adjustments being made.
- The General Fund Balance as at 31<sup>st</sup> March 2018 was £1.161m.
- An additional £2m had been received into the net cash figures from a grant received for the Watersports Centre.
- The original budget for 2017-18 included a forecast to achieve £0.200m of salary savings. The final quarter of 2017-18 had actually resulted in further employee savings of £0.075m over and above the original target.
- The Council's Medium-Term Financial Strategy (MTFS) for 2018-22 was approved by Full Council in 2018 and had no budget-gap for 2018/19, although a gap of £0.616m was forecast for 2021/22.

In response to a question from the Committee in relation to the increases in the net expenses incurred by both the Operational Services and Environmental Health and Housing services, the Head of Resources agreed

to provide a more detailed report showing the breakdown of their Expenditure and Income figures to the Committee members.

RESOLVED that the Head of Resources provided a further report on the net expenses incurred by both the Operational Services and Environmental Health and Housing services,

RECOMMENDED that the draft Statement of Accounts for 2017/18 be approved.

## **10                    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:

- Seven recommendations had been completed since the last meeting of the Committee. Four of these had been connected to the installation of the new security access system in the four office locations.
- Recommendation “17 SRR 06 Policies and Procedures” had been included in both table C and D in error. It should only be in table C.
- Requests had been received from Heads of Service to amend the due dates in relation to the recommendations as detailed in table C:
  - 15 HN (CBL) 01: Housing Team to review the housing waiting list
  - 16 BCM 05:        Alignment to the IT Disaster Recovery Plan
  - 16 BCM 07:        Testing Strategy
  - 17 CS 04:        Policy Development and Awareness
  - 17 CS 05:        Cyber Security Incident Response Plan
  - 16 C & CE 02:    Due Diligence of Consultants
  - 17 SRR 06:        Policies and Procedures
  - 17 SRR 07:        Training
  - 17 SRR 09:        Visiting Officers / Lone Workers

In response to a question from the Committee concerning recommendation 17 SRR 09: Visiting Officers / Lone Workers, the Head of Resources confirmed that the Local Authority already had a lone worker policy in place and that this recommendation was concerned with renewing the existing provision to ensure it was still fit-for-purpose.

The Head of Corporate and Community Services confirmed that there were regular meetings with the union (in fact the meeting had been that morning) regarding staff safety. The union had confirmed that the system currently being used was one of the best systems available. There was also a manual system in use to place violence and aggression markers on cases as required.

In response to a question from the Committee concerning recommendation 15 HN (CBL) 01 (Housing Team to review the housing

waiting list), the Head of Corporate and Community Services confirmed any delay on the completion of this item would not be at the detriment of those on the list. The piece of work was to ensure that those on the list still needed to remain on the list; with the removal of those no longer requiring housing.

RESOLVED that the requests from Heads of Service for a revision date for outstanding audit recommendations as detailed in Table C be approved.

## **11 WORK PROGRAMME 2018/19**

The Committee considered the work programme for 2018/19 (circulated previously).

RESOLVED that:

- (a) the item “Annual Review of the Committee’s Effectiveness” be moved to the September 2018 Committee;
- (b) it be noted that there would be not be an “External Audit Progress Report” available for the Committee on 23<sup>rd</sup> July 2018;
- (c) The Committee of 6<sup>th</sup> November 2018 be cancelled due to lack of agenda items for consideration;
- (d) the work programme for 2018/19 be noted.

In response to questions from the Committee, the Head of Resources, confirmed that the Local Authority (LA) could not use the Civic Centre to house the homeless. The property was owned by Devon County Council.

The Head of Corporate and Community Services confirmed that it would not be a viable option to purchase the property as it was not fit for purpose and the costs involved in its purchase and renovation would be excessive. The demand for high-rise housing had decreased since the Grenfell disaster and that the LA had been purchasing new properties to meet housing needs.

Chairman

The meeting ended at 7.09 p.m.

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