

NORTH DEVON COUNCIL

Minutes of a meeting of the AUDIT COMMITTEE held at the Brynsworth Environment Centre, Barnstaple on Tuesday 14th August 2018 at 4.30 p.m.

PRESENT: Members:

Councillor Croft (in the Chair)

Councillors Haywood, Lovering, Moore and Patrinos.

Also Present:

Mr M. Towler– MAZARS Public Sector Internal Audit Limited
Mr M. Bartlett and Ms G. Daly – Grant Thornton

Officers:

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

12 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Flynn and Roome.

13 MINUTES

RESOLVED that the minutes of the meeting held on 12th June 2018 (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 BUSINESS CONTINUITY UPDATE

The Committee received an update from the Community Protection Manager regarding Business Continuity. She emphasised the following points:

- In the spring, the Senior Management Team had carried out a workshop on the effects of a cyber-attack on the authority. They considered how the authority would work following such an attack, along with the priorities given to the services.
- Within the corporate framework, the priorities were considered to be as follows:
 1. Top priority (1) Services which have a direct impact on the safety and welfare of people in our community.

2. Priority 2: Services which support the economy and, in turn, community wellbeing
 3. Priority 3: Services which protect the environment
 4. Priority 4: NDC's wider suite of statutory services.
- The priority services and service resumption plans were set based on an unrealistic expectation of the authority's capability following a threat; this new exercise would resolve this.
 - The Continuity plan would include a reduced service on day 1, refined Service Resumption Plans and Infrastructure Service Scrutiny and Response.
 - The Authority's responses had been standardised with those of others in Devon.
 - SMT had approved the KPIs (Key Performance Indicators).
 - The Business Continuity Report would be presented to the Audit Committee in the first quarter of the next financial year following a new audit scheduled for March 2019.

The Chairman thanked the Community Protection Manager for her report.

RESOLVED that the Business Continuity Update be noted.

16 INTERNAL AUDIT ANNUAL REPORT 2017/18

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

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

- 18 Audits had been undertaken during the 2017/18 year. Of these, 16 had been rated as Substantial Assurance (with none rated as limited). Ratings had not been required on the remaining two.
- The opinion for 2017/18 on both the financial systems, and non-financial systems, was that "Internal controls within operational systems operating throughout the year are fundamentally sound".
- The average customer satisfaction score target had been 3 (a score of satisfactory) but the actual score achieved was 4 (a score of 'Good').
- There had been no projects with limited or Nil assurance in 2017/18.

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

17 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 of the three audits had been rescheduled for the next quarter. The draft reports had been issued and would come back to the Committee in September once finalised.
- Since the report was produced, the remaining audits, as detailed in appendix 1, had all been programmed.

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

18 EXTERNAL AUDIT FINDINGS REPORT

The Committee considered Grant Thornton's External Audit Findings Report (circulated previously).

The External Auditor (GD) explained:

- The report had been compiled on 8th August 2018. Since that date they had now completed all of the quality review processes.
- The Letter of Representation had been completed.
- It was hoped that the final set of financial statements would be signed-off tonight, following the extraordinary Council meeting, as an 'Unqualified' opinion.
- She wished to thank the Head of Resources, the Chairman and the officers for being so accommodating over the situation experienced by Grant Thornton following the serious illness of one of their team. She emphasised their thanks in the consideration shown to them.
- There were no significant issues or material errors which would affect the Council's 'bottom line'.
- The Council's accounting policies were found to be appropriate and consistent with previous years.
- The overall Value for Money conclusion was that the Council had 'proper arrangements in all significant respects to ensure it delivered value for money in its use of resources'.
- The key findings were that:
 - in the Medium Term Financial Strategy (MTFS) there was a balanced budget position shown for 2018/19 but there were budget gaps in the next three years, with a cumulative budget gap of £0.616m by 2021/22.
 - The 21:21 was a significant project and was crucial to the way the Council would deliver its services in the medium term.

In response to a question from the Committee, the Head of Resources confirmed that elements of the 21:21 project had been considered by the Executive, such as the Recycle More project. In future, as part of the performance report, there would be quarterly updates on the 21:21 project which would be presented to Executive, Overview and Scrutiny, and Full

Council, which would provide regular updates regarding the whole of the 21:21 project and enable increased reporting to Members.

The External Auditor confirmed that, with regards to the action plan, Grant Thornton had encouraged the Management to include additional information in the descriptions of the valuations in order to account for/explain any variation in value during the financial year. This was because the Council had decided to continue to provide valuations as at 1st April. Any variation could result in a material misstatement.

RESOLVED that the External Audit Findings Report be noted.

19 LETTER OF REPRESENTATION

The Committee considered the Letter of Representation presented by the Head of Resources (circulated previously).

The Head of Resources explained that the Letter of Representation outlined the governance arrangements in place and the Authority's responsibilities. The Letter was presented to the Committee today, in advance of the Full Council meeting tonight. The Letter would be required as part of the final process on the Statement of Accounts for 2017/18.

RECOMMENDED that the Letter of Representation be approved by Full Council.

20 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:

- Two recommendations had been completed since the last meeting of the Committee. These were in relation to the Service and Corporate Risk Registers.
- There were no requests for revisions to due dates.
- There were now only three outstanding recommendations. These were:
 - 15 DR 05: Disaster Recovery Procedures
 - 15 DR 06: Disaster Recovery Plan Test
 - 17 CS 02: Network Security
- It was noted that these were connected to the Business Continuity work which was underway. The above recommendations could not be completed until the project was completed.

In response to a question from the Chair, the Head of Resources confirmed that the three outstanding recommendations were likely to be completed by the end of the financial year. After this date there would be a roll out of many

new ICT systems within the Authority which would need to be aligned with the work.

In response to a question from the Committee, the Head of Resources confirmed that the Live Audit Report “14 AP Action Plan 2013/14” was likely to have been completed but not removed from the table. This would be checked prior to the next meeting.

RESOLVED that the recommendations of the Audit Recommendation Tracker be noted:

- (a) the recommendation 2.1: that the Committee note the actions that have been taken to address identified risks since the 12th June 2018 Committee meeting;
- (b) the recommendation 2.2: that the Committee raises any areas of concern arising from the list of outstanding recommendations;
- (c) the Audit Recommendation Tracker be noted.

21 WORK PROGRAMME 2018/19

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

RESOLVED that:

- (d) the item “External Audit Plan” be added to the March 2019 Committee;
- (e) it be noted that External Audit would not be available to attend the September Committee, and that their agenda items be presented by the Head of Resources;
- (f) the work programme for 2018/19 be noted.

Chairman

The meeting ended at 5.11 p.m.

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