

**NORTH DEVON COUNCIL**

Minutes of a meeting of Governance Committee held at Virtual - Online meeting on Tuesday, 9th June, 2020 at 6.30 pm

PRESENT: Members:

Councillor Roome (Chair)

Councillors Bushell, Henderson, Luggar, Phillips, Topps and Walker

Officers:

Chief Executive (KM), Head of Resources (JT), Senior Solicitor/Monitoring Officer (TB), and Corporate and Community Services Officers (AD and GT)

Also Present:

Mr R Hutchins, Internal Auditor representing Devon Audit Partnership

Mr D Curnow, Internal Auditor representing Devon Audit Partnership

Mr G Clarke, Internal Auditor representing Mazars

Mr P Barber, External Auditor representing Grant Thornton

**73. VIRTUAL MEETINGS PROCEDURE - BRIEFING AND ETIQUETTE.**

The Corporate and Community Services Officer read the virtual meeting procedure notes.

**74. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mr Davies, External Auditor representing Grant Thornton.

**75. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 10TH MARCH 2020.**

RESOLVED that the minutes of the meeting held on 10<sup>th</sup> March 2020 (circulated previously) be approved as a correct record and signed by the Chair.

**76. DECLARATIONS OF INTERESTS.**

There were no declarations of interest made.

**77. INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report by the Devon Audit Partnership (circulated previously) regarding the Internal Audit Report.

Mr Hutchins introduced himself and gave a short summary of the Internal Audit Progress Report, (circulated previously), to the Committee as follows:

- All the staff of Devon Audit Partnership were employed by Devon County Council and during the Covid-19 situation staff were deployed to front line services. It was appreciated that this situation presented challenges at other Councils
- Recognised that a lot of services would be concentrating on responding to the pandemic situation but also aware that North Devon Council and the Governance committee wanted assurance that controls were working effectively
- North Devon Council had responded well to the Covid-19 situation

Mr Hutchins then handed over to his deputy Mr David Curnow who updated the Committee as follows:

- Section 3 headed as the “Internal Audit Response” gave details on the adapted response internal audit would be making to provide continued internal audit provision during a period of restrictions on normal operating activities
- The infographic showed the new approach that would be taken and how assurances would be delivered during a period of social distancing
- The assurance map had begun and this would be augmented with sample testing done online with minimal disruption to Officers
- The assurance mapping process was a well-recognised process built on the three lines of defence
- Section 3.7 headed as “Undertaking the agreed plans for 2020/21”, which had been agreed at the March 2020 meeting, would still stand but the delivery approach would be slightly different
- Flexibility would be the key and a balanced approach would be taken
- Section 4 headed “Counter Fraud”, was an area that other authorities had seen an increase of activity in, due, in part, to business grants and if North Devon Council had any concerns in this area it could be something that could be raised with internal audit
- Section 5 headed “DAP Development” highlighted that audit staff were attending risk management training as well as keeping up with key issues and processes

In response to a question on whether North Devon Council had noticed any fraud alerts around grants being processed, the Head of Resources advised that the implementation of an online application process which integrated background checks and validated to back office systems as part of the application process meant fraudulent activity would be mitigated against and that he was not aware of any such activity. The situation was monitored regularly by the team and any areas of concern would be raised with internal audit but none had come to light at present.

In response to a question about the three lines of defence and whether North Devon Council had been engaged with internal audit on what would now take priority Mr Curnow advised that those priorities identified had already been built into the plan.

RESOLVED that the Internal Audit Progress report be noted.

**78. INTERNAL AUDIT ANNUAL REPORT 2019/20**

The Committee considered a report by Mazars (circulated previously) regarding the Internal Audit report for 2019/20.

Mr Graeme Clarke, representing Mazars, presented the internal Audit Annual Report 2019/20 (circulated previously), to the Committee as follows:

- The purpose of the report was to give a summary on the work undertaken during the last financial year, (2019/20) and compliance with professional standards and was a basis for informing North Devon Council's financial statements
- With the work concluded this financial year alongside reports from 2018/19 Mazars felt this provided a firm basis for their opinion for 2019/20

The Chair raised the question of why the business continuity plan was showing as red on page 26 of the report to which the Head of Resources explained that this reference was to an issue rolled forward from 2018/19 where the old business continuity plan was found to be out of date. A full briefing on this matter had been subsequently presented to Members at a previous Governance Committee meeting. The new Emergency Planning Officer, had begun work last autumn (2019), updating business continuity plans.

The Chief Executive added that just prior to the lockdown, due to Covid-19, an exercise had been run looking at how we would cope with staff shortages in light of such an event. North Devon Council's services had been maintained other than the planned interruption to services such as bulky waste collections, the museum and pannier market were closed and the car parking charges had been waived.

RESOLVED that the Internal Audit Annual Report 2019/20 be noted.

**79. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

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

Mr Peter Barber, representing Grant Thornton, updated the Committee with the following:

- This progress report was presented at every meeting and reported on progress made against the plans for the year which had been presented to Committee at the March 2020 meeting
- Since the last Committee meeting in March 2020 testing work had

been completed

- Deadlines had been extended as a result of challenges faced due to the Covid-19 situation and North Devon Council now had until the end of August 2020 to produce its draft accounts and Grant Thornton now had until the end of November 2020 to sign them off
- After discussions with officers it was agreed the draft accounts would be produced by the end of July 2020 with Grant Thornton undertaking some virtual testing of those accounts in August prior to the main audit during September 2020
- Value for money conclusion work was underway
- The Housing Benefit audit was to begin 10<sup>th</sup> June 2020 and would involve screen sharing for virtual assessments to begin in that area
- Department of Work and Pensions had allowed an extension to the deadline for final subsidy claim to January 2021

The Chair asked if a correction to the wording on Page 43 of the report was needed and Mr Barber confirmed the wording should be amended with the addition of the word 'not' so the sentence under the conclusions and recommendations for early substantive testing should read as follows:

“Our testing to date has **not** identified any issues that we need to bring to your attention.”

RESOLVED that the External Audit Progress report update be noted.

Mr Barber then updated the Committee on the Sector update of the External Audit Progress report as follows:

- Significant risks had been highlighted with an additional risk having been added due to the Covid-19 situation around things like volatility in the financial markets
- Challenges around the value of assets held by the Council would be considered
- The going concern assumption would be put forward early with discussions between Grant Thornton and North Devon Council
- Grant Thornton were not minded to alter the materiality figure when signing off the accounts

In response to a question on the latest situation regarding grants from Central Government being made available to local authorities and if this was a concern for auditors. Mr Barber advised that he was not aware of any extra funding being imminently available. His advice would be to continue assessing the situation and the impact of levels of funding and model the effects on budget. Financial planning would become even more prudent with the best course of action to be decided on as a result of this planning.

In response to a question on what North Devon Council were doing to obtain additional funding, the Head of Resources replied with the following:

- Monthly financial returns from all authorities were sent to Central Government so they were aware of the financial situation North Devon Council were in
- Engaged with Central Government last week around our position. The Council was not alone in this situation and that our levels of reserves, for the size of Council we were, were healthy
- The pressures faced moving forwards were the same as other authorities
- Talks with Treasury were underway with Central Government regarding future tranches of funding
- All members would be kept up to date as and when information was made available to the authority

The Chief Executive gave a further update to Committee on what steps were being taken to obtain certainty on further funding as follows:

- North Devon Council was actively lobbying Government which was being raised through the Local Government Association (LGA), the local MP as well as directly through to Central Government.
- The previous funding provided had been awarded based on the population size or per capita
- It was preferred that Central Government looked at the individual needs of the local population and its local area and based its future funding awards on that
- This message was received with sympathy by Central Government and it was hoped would be considered
- The Treasury were overloaded with requests for additional funding which was hoped wouldn't be ignored

In response to a question on levels of council tax recovery and whether recovery rates were lower as a result of the Covid-19 situation the Head of Resources gave the Committee the following response:

- April to May 2020 council tax recovery levels were similar to last year
- The Furlough scheme had meant individuals were still in receipt of an income and so currently able to pay bills
- Business grants paid out had also helped local businesses
- The real impact of people being able to afford to pay bills would hit later on as the Furlough scheme started to wind down.
- Forecasting had made allowances for the impact of a reduction in recovery rates in later months

RESOLVED that the sector update be noted.

## **80. AUDIT RECOMMENDATION TRACKER**

The Head of Resources addressed the committee in relation to the Audit Recommendation Tracker (circulated previously), with the following:

- Table A showed progress classifications on 13 items, 15 DR, 15 HN (CBL), 16 BCM, 16 PL, 17 ITAM, 17 RM & CG, 17 CS, 17 SRR, 17 L, 17 G, 19 E&ES, 19 GDPR, and 19 CG & RM
- Table B showed recommendation 17 PO 01 as completed which had been a review of car park processes and procedures
- Table C showed six recommendations requesting target date extensions these were; 15 DR 05, 15 DR 06, 16 BCM 07 testing strategy, 17 CS 02 Network Security, 17 RM&CG 02 Service risk registers and 17 SRR 08 Information sharing
- There were two Disaster Recovery recommendations that had been on the tracker for some considerable time and had recently been put to test quite considerably under the Covid-19 pandemic
- The IT Business manager had made the request for the extension on 15 DR 05 to the end of December 2020
- The second recommendation 15 DR 06 had a request for extension to March 2021
- 16 BCM 07 testing strategy in relation to business continuity would be a large area of work with a greater threat from cyber-attacks due to the increased numbers of staff working from home remotely. The extension requested for this was to June 2022
- 17 CS 02 Network security needed work carried out in relation to the whole suite of firewalls, this work tied in with the business continuity plan and the extension being sought was to the end of December 2020
- 17 RM&CG 02 completeness of service risk registers the majority of service areas had completed before the Covid-19 situation but for those still outstanding a short extension of June 2020 was requested
- 17 SRR 08 Information sharing this was around Customer Relationship Management system and how violence and aggression markers were shared the online form needed to be built and so the requested extension was until 31<sup>st</sup> July 2020
- Table D showed there were no outstanding audit recommendations if Committee were minded to allow extensions requested
- Table E showed one outstanding annual governance recommendation 14 AGS 02 which linked in with the disaster recovery plans already mentioned

In response to a question on the requested extension date of June 2022 for testing the strategy in relation to business continuity being correct and whether it should be completed earlier the Head of Resources gave the following response:

- The requested extension date of June 2022 was correct
- Plans had been in place for a number of years but the recent Covid-19 situation had shown the need for constant evolution of plans
- Time was needed to be taken to ensure the plans were right as we still were not back to full service delivery
- Associated risks were to be picked up from testing carried out

In response to whether there was a need for a completion date on an area that was constantly evolving and changing and where a completion date seemed to be an unobtainable goal, the Chief Executive responded that it was constantly under review and in light of recent events we needed to go back over the plans and update for lessons learned over the last few months.

The Head of Resources added that this originally was picked up in 2016 when our plans were fairly light and thus the recommendations were now probably out of date. Going forwards it was anticipated that the Devon Audit Partnership would review these arrangements.

In response to a suggestion from the Chair on whether it would not be better to remove the items from the tracker and place on the work programme to be reported on every six months, the Chief Executive and Head of Resources agreed this would be a good solution.

In response to a question, the Chief Executive agreed that where a request to extend the completion date when nought percent had been completed that the appropriate officer be requested to provide an update to the Committee.

RESOLVED, that:

- (a) The internal audit recommendations 15 DR 05, 15 DR 06 and 16 BCM 07 be removed from the Audit Recommendation Tracker, and an item be placed on the Governance Committee Work Programme of Business Continuity commencing from September 2020 and again January 2021 and on a six monthly reporting basis, thereafter, and
- (b) That the relevant Senior Officer present a draft report to the Committee on Business Continuity and attend future meetings of the Committee with updates on progress
- (c) That the Audit Recommendation Tracker be noted.

**81. GOVERNANCE WORK PROGRAMME 2020 - 21**

The Head of Resources updated the Committee on the Governance Committee's work programme 2020-21 (circulated previously), with the following proposed changes:

- The Annual Governance statement and the Statement of Accounts would be moved to a slightly later date of July 2020 with the possibility they may need to be moved to September 2020
- The letter of representation formed part of the external audit so would be moved to the September 2020 meeting possibly later than the one already scheduled or even later to early October 2020
- The Internal Audit Charter came to the March 2020 meeting and would normally be presented ahead of the new financial year so recommended to move this from September 2020 to March 2021
- The external Audit Fee Letter was presented at the March 2020 meeting and needed to be removed from June 2020 to March 2021
- The External Audit Findings report would normally be July but this

- needed to move to September 2020 if not early October 2020
- The External Audit – Annual Audit letter followed on from the Findings Report so needed to be moved to November 2020

RESOLVED that the proposed changes to the work programme 2020-21 be noted.

Chair

The meeting ended at 7.57 pm

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