

**NORTH DEVON COUNCIL**

Minutes of a meeting of Governance Committee held at Barum Room - Brynsworthy on Monday, 22nd July, 2019 at 6.00 pm

PRESENT: Members:

Councillor Phillips (Vice Chairman)

Councillors Henderson, Saxby, Topps and Walker.

Officers:

Chief Executive, Head of Resources and Head of Operational Services

Also Present:

M. Bartlett – Grant Thornton

**10. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Bushell, Campbell and Roome.

**11. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 11TH JUNE 2019.**

RESOLVED that the minutes of the meeting held on 11<sup>th</sup> June 2019 (circulated previously) be approved as a correct record and signed by the Chairman.

**12. DECLARATIONS OF INTERESTS.**

There were no declarations of interest announced.

**13. COMPENSATION PAYMENTS MADE UNDER DELEGATED POWERS**

The Committee considered a report by the Customer and Corporate Services Manager regarding the Compensation Payments Made under Delegated Powers (circulated previously).

An amended version of Appendix A was tabled at the meeting showing the corrected figure for the total of payments made.

The Chief Executive advised the Committee that compensation payments were only made on rare occasions. The ten payments listed on the report covered a period of six months. The Head of Operational Services was present at this Committee as the majority of payments were made in relation to the Waste and Recycling service.

The Committee noted that the compensation payments made were low in relation to the number of collections. They wished to congratulate the staff on their hard work.

RESOLVED that the Compensation Payments Made under Delegated Powers be noted.

#### **14. EXTERNAL AUDIT FINDINGS REPORT**

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

The External Auditor (MB) explained:

- The original report submitted and included on the agenda had been a draft version. The final version (dated 19<sup>th</sup> July 2019) had been submitted subsequently.
- The report gave a positive message on the Authority's work.
- The Devon Pension Fund Assurance letter had been received today.
- Works on Property, Plant and Equipment, and the McCloud judgement were close to completion.
- The approach to materiality figure was £1.153m.

In relation to the "Significant Findings – Audit Risks" section of his report, the External Auditor confirmed that:

- Having considered the risk factors set out in ISA240, they were happy that the risk was low and good controls were in place.
- No issues had been identified in relation to "Management Override of Controls". The Auditors had examined the judgements made.
- "Valuation of Land and Buildings" was currently in progress. No issues were anticipated.
- "Valuation of Pension Fund Net Liability" was nearing completion and would be reviewed soon.
- "Potential Impact of the McCloud Judgement": The Government had applied to the Supreme Court for permission to appeal this ruling but permission to appeal had been unsuccessful. The implications of this were still under discussion. Legal ruling around age discrimination could have implications for pension funds and schemes where transitional arrangements on changing benefits had been implemented. Discussion was ongoing. It was acknowledged that there were uncertainties in relation to the estimation of the impact on the Council's liability. Therefore an unadjusted misstatement had been included within appendix C of the report.

- Cut-off testing had identified an invoice of £0.006m which related to 2018/19 which had not been accrued. A further case had been identified in the sample checked.

The External Auditor (MB) explained:

- In relation to the Value for Money (VFM) work, the External Auditors had identified Financial Sustainability as a significant risk. The Council's Medium Term Financial Strategy (MTFS) had shown a cumulative budget gap of £0.666m by 2022/23. Grant Thornton had concluded that this risk was significantly mitigated and potential schemes to bridge the shortfall had been identified.
- There had been no issues with the 'other Communications requirements' as the team at the Council were very quick to provide any information requested by the Auditors.
- Previous recommendations for increased reporting arrangements to Members regarding the 21:21 project could be further improved. Updates on individual projects had been made within the Quarterly Performance and Financial Management Reports but this did not formally report on the programme as a whole.
- An adjustment had been identified which concerned the audit fee disclosure note for the Housing Benefit certification for 2017/18. The note should have included the fee for 2018/19 of £21k. It was the view of the management that to include the fee would have had the effect of overstating the audit costs of the work, and, as the work would not be performed until the autumn of 2019, it had not been included. This would not be adjusted.
- There had been an error identified on the calculation of a prepayment (of £2,670) which, if extrapolated, the extent of the error could be deemed to be £437,888. As the original error was not material no adjustment would be required.
- The total Audit Fees had increased to £40,999 as this had now included an additional fee which had been incurred due to additional works on the assessment of the impact of the McCloud ruling, the Pensions IAS 19, and the PPE valuations work.

The Head of Resources confirmed that the Members would be presented with a full disclosure note within the accounts on the McCloud ruling at Full Council on 24<sup>th</sup> July 2019. Detailed notes explaining its impact and the decision not to adjust the figures due to their non-materiality would be provided.

RESOLVED that the External Audit Findings Report be noted.

## **15. 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 on the

financial statements presented. The Letter was presented to the Committee today, in advance of the Full Council meeting on 24<sup>th</sup> July 2019. The Letter was required as part of the final process for the approval of the Statement of Accounts for 2018/19. He noted that the details of the 'unadjusted misstatements' (as covered in the earlier agenda item) was covered in point 'x' of the letter.

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

**16. 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:

- Table A detailed the 21 live recommendations.
- Table B detailed the 5 recommendations completed since the last meeting of the Committee.
- Table C detailed 7 recommendations for which time extensions were being requested and 1 recommendation for action to be deleted.
- Table D showed no outstanding recommendations (as any outstanding recommendations now had requested for date extensions from the relevant officers).
- Table E Annual Governance Statement could not be completed until all other recommendations were completed.

RESOLVED;

- (a) that the actions completed since the 11<sup>th</sup> June 2019 Committee meeting be noted;
- (b) that time extension be granted for those recommendations as listed in table C;
- (c) that the Audit Recommendation Tracker be noted.

**17. WORK PROGRAMME 2019-2020**

The Committee considered the work programme for 2019/20 (circulated previously).

The Head of Resources advised that the Letter of Representation was due for consideration annually so would not be presented again in January 2020 as per the work programme.

RESOLVED;

- (a) that the entry for the Letter of Representation for January 2020 be removed.
- (b) that the Audit Recommendation Tracker be noted.

Chairman

The meeting ended at 6.42 pm

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