



Public Document Pack

North Devon Council
Brynsworthy Environment Centre
Barnstaple
North Devon EX31 3NP

K. Miles
Chief Executive.

GOVERNANCE COMMITTEE

A meeting of the Governance Committee will be held in the Barum Room - Brynsworthy on **TUESDAY, 7TH JANUARY, 2020 at 6.00 pm.**

(NOTE: A location plan for the Brynsworthy Environment Centre is attached to the agenda front pages. There are limited car parking spaces in the Visitors parking area. If no spaces are available, please find an alternative space. Please ensure that you enter your name and car registration details in the book in front of the entrance door)

Members of the Governance Committee Councillor Roome (Chair)

Councillors Phillips, Bushell, Campbell, Henderson, Jenkins, Saxby, Topps and Walker.

AGENDA

1. Apologies for absence
2. To approve as a correct record the minutes of the meeting held on 5th November 2019 (Pages 5 - 12)
3. Items brought forward which in the opinion of the Chair should be considered by the meeting as a matter of urgency.
4. Declarations of Interests.
(Please complete the form provided at the meeting or telephone Corporate and Community Services to prepare a form for your signature before the meeting. Interests must be re-declared when the item is called, and Councillors must leave the room if necessary.)
5. To agree the agenda between Part 'A' and Part 'B' (Confidential Restricted Information).

PART A

6. **Asset Management Plan**
Head of Resources to report.
7. **Update on Governance Arrangements**
Chief Executive to report.

8. **Update on Business Continuity**
Chief Executive to report.
9. **Internal Audit Progress Report** (Pages 13 - 22)
Report by MAZARS Public Sector Internal Audit Limited (attached).
10. **External Audit Progress Report and Sector Update** (Pages 23 - 40)
Report by Grant Thornton (attached).
11. **Audit Recommendation Tracker** (Pages 41 - 46)
Report by the Chief Executive (attached).
12. **Work Programme** (Pages 47 - 48)
To consider the work programme (attached).

PART B (CONFIDENTIAL RESTRICTED INFORMATION)

Nil.

If you have any enquiries about this agenda, please contact Corporate and Community Services, telephone 01271 388253

23.12.19



North Devon Council protocol on recording/filming at Council meetings

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The rules that the Council will apply are:

1. The recording must be overt (clearly visible to anyone at the meeting) and must not disrupt proceedings. The Council will put signs up at any meeting where we know recording is taking place.
2. The Chairman of the meeting has absolute discretion to stop or suspend recording if, in their opinion, continuing to do so would prejudice proceedings at the meeting or if the person recording is in breach of these rules.
3. We will ask for recording to stop if the meeting goes into 'part B' where the public is excluded for confidentiality reasons. In such a case, the person filming should leave the room ensuring all recording equipment is switched off.
4. Any member of the public has the right not to be recorded. We ensure that agendas for, and signage at, Council meetings make it clear that recording can take place – anyone not wishing to be recorded must advise the Chairman at the earliest opportunity.
5. The recording should not be edited in a way that could lead to misinterpretation or misrepresentation of the proceedings or in a way that ridicules or shows a lack of respect for those in the recording. The Council would expect any recording in breach of these rules to be removed from public view.

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For more information contact the Corporate and Community Services team on **01271 388253** or email **memberservices@northdevon.gov.uk** or the Communications Team on **01271 388278**, email **communications@northdevon.gov.uk**.

North Devon Council offices at Brynsworthy, the full address is:
Brynsworthy Environment Centre (BEC), Roundswell,
Barnstaple, Devon, EX31 3NP.

Sat Nav postcode is EX31 3NS.

At the Roundswell roundabout take the exit onto the B3232, after about ½ mile take the first right, BEC is about ½ a mile on the right.

Drive into the site, visitors parking is in front of the main building on the left hand side.

On arrival at the main entrance, please dial 8253 for Corporate and Community Services.



NORTH DEVON COUNCIL

Minutes of a meeting of Governance Committee held at Barum Room - Brynsworthy on Tuesday, 5th November, 2019 at 6.00 pm

PRESENT: Members:

Councillor Roome (Chair)

Councillors Phillips, Bushell, Jenkins, Saxby, Topps and Walker

Officers:

Chief Executive (KM), Head of Resources (JT) and Senior Solicitor and Monitoring Officer (TB).

Also Present:

R. DeBradeny, MAZARS (present for minutes 34 to 37),
M. Bartlett, Grant Thornton.

34. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Campbell and Henderson.

35. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 3RD SEPTEMBER 2019

RESOLVED that the minutes of the meeting held on 3rd September 2019 (circulated previously) be approved as a correct record and signed by the Chairman.

36. DECLARATIONS OF INTERESTS.

There were no declarations of interest announced.

37. INTERNAL AUDIT PROGRESS REPORT

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

The Committee was advised of the following in relation to the Internal Audit Progress Report:

- The report set out the current position in respect of the audits being undertaken in 2019/20.
- There were 19 audits in the 2019/20 plan. Of these, five were in progress (an increase on the three noted in the report) and four had agreed dates set.

- There were 17 audits in the 2018/2019 plan. Of these, one was currently in draft and five others were still in progress. 11 had been completed.
- Testing of all the 2018/2019 audits had been completed.
- Audit number 16 of annexe 1 (the Crematorium) had now been completed with a Full assurance rating.
- In addition to the programmed Audits for 2019/2020 listed in Annexe 2, a further two audits had been arranged:
 - Risk Management and Corporate Governance 18th Nov 2019
 - Housing Benefits 2nd Dec 2019.

The Head of Resources advised the Committee that to have two audits with a Full assurance rating was a good result.

RESOLVED that the Internal Audit Progress report for be noted.

38. 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 committee of the following points as noted in the External Audit Progress Report and Sector Update:

- The opinion on the 2018/19 accounts was issued on 31st July 2019.
- The planning for the 2019/2020 audits would begin in December / January and a detailed audit plan would be issued.
- The interim audit would start in January 2019.
- The Value for Money work would be included in the audit plan.
- The certification of the Housing Benefit Subsidy claim was currently in progress and would be completed by the 30th November 2019 deadline. This certification work was no longer part of the Public Sector Audit Appointments (PSAA) contract and was subject to a separate engagement letter.
- The report signposted a number of articles which were considered to be of use/interest to the Authority. These included a Sector Update, CIPFA – CFO Confidence Survey, MHCLG – Independent Probe into Local Government Audit, National Audit Office – Code of Audit Practice, and the LGA – Profit with a Purpose report. The latter was recommended by the Chief Executive as a report which provided opinion in line with the Council's Strategy for income generation.

In response to a question from the Chair, the External Auditor advised that nationally Grant Thornton had struggled to meet the dates for the Audit Deliverables. The dates had been brought forward to allow for the changes imposed by the Government on Local Authorities where they were now to produce final accounts by

31st July, rather than the previous September deadline to enable the Treasury to set their own budgets. This had resulted in Local Authorities and Auditing Firms being put under pressure. Local Authorities had brought their deadlines forward by one month but the Auditors had to bring theirs forward by two months to meet the target deadline. The industry as a whole was having difficulties with this. Issues being faced included the problem in hiring and retaining newly qualified staff and the changing demand for services through the year made it difficult to find enough work for staff during quiet times of the year. The size of the average Financial Statements had doubled over the past few years due to the increased requirements of the regulator.

The Committee discussed the relationship of commercial strategy which would benefit the local people and economy. This had been demonstrated by the recent purchase of property to be used to alleviate the homelessness issue, whilst providing them with more stable accommodation (rather than Bed and Breakfast placements) it had created savings of £150,000 on the 2017-18 costs and provided long term capital assets for the Authority.

RESOLVED that the External Audit Progress Report and Sector Update be noted.

39. DRIVER AND VEHICLE LICENSING AGENCY (DVLA) AUDIT OF NORTH DEVON COUNCIL

The Committee considered a letter from the Driver and Vehicle Licensing Agency in respect of the DVLA Audit of North Devon Council (circulated previously).

The Head of Resources advised the Committee that the Audit had achieved a high level of compliance.

The Committee passed on their appreciation of the team involved and congratulated them on their work.

RESOLVED that the DVLA Audit of North Devon Council be noted.

40. PROVISION OF INTERNAL AUDIT SERVICES

The Committee considered a report by the Head of Resources regarding the Provision of Internal Audit Services (circulated previously).

The Head of Resources advised the Committee that:

- Although the existing contract with MAZARS had been extended for a further year, the company were anticipating issues regarding their ability to provide the service to the North Devon Council for 2020-21 year. This was due to the fact that the company were based in London and had one Auditor who currently worked at the North Devon Council location although she was resident in South Devon. This Auditor had been considering retirement

(although no final decision had yet been made). She currently worked 22 hours per week on site.

- The lack of other staff in the area had been a cause of logistical issues as staff from the London area had to provide cover.
- It was noted that should she decide not to retire, her employment would be transferred to the new service provider.
- The recommendation was that the Council join the Devon Audit Partnership (DAP) as a partner with effect from 1st April 2020 for the provision of internal audit services.
- The DAP was founded in 2009 as a shared service agreement between Devon, Torbay and Plymouth Authorities. Devon County Council were the 'Host' to the partnership, with Torridge and Mid Devon District Councils currently full members.
- Governance arrangements would result in the Head of Resources and two members of the Governance Committee becoming members of the DAP Board/Committee.
- The partnership would be on a twelve month rolling contract. Twelve months' notice would be required to leave the partnership.
- There would be a potential saving of £4,600 per annum on current costs.

RESOLVED that:

- (a) North Devon Council join the Devon Audit Partnership (DAP) as a partner from 1st April 2020 onwards, for the provision of internal audit services; and
- (b) The Head of Resources work with the Head of Devon Audit Partnership (DAP) and respective Legal, Human Resources and Finance teams to prepare and sign contracts to enable the above partnership to take place.

41. 21:21 PHASE 2 REPORT

The Chief Executive provided the Committee with an update on the 21:21 project. He advised the Committee:

- The 21:21 project had been based on the Authority's previous corporate priorities. It had addressed the issues of improving services, customer focus, modernising processes and expanding the online services.
- It had four themes: Learning and Transformation, One Site, Improvements to Waste and Recycling Services and Income Generation.
- The new priorities were Financial Security, Customer Focus, Environment and North Devon Futures. The new Corporate Plan was more specific around what the Council wanted to do.
- The Civic Centre had now been vacated by the Authority and the majority of staff were now based at Brynsworthy Environment Centre (BEC).
- Security had been improved with the implementation of the ID/entry card system and enhanced CCTV provision.

- The increased availability of online services had not yet resulted in any reduction in the number of phone calls received.
- The advantages of open plan offices and the teams working in closer proximity. Communication had improved and the logistics of working together.

The Committee discussed:

- BEC was now at capacity – with regards to the building/office space and the car parking availability.
- Should any further expansion be required for the BEC site, North Devon Council would be the planning Authority.
- The lack of a green travel scheme could hinder further expansion. There was no public transport route, cycle way, or safe pedestrian route (although walking or cycling to BEC may not be an attractive prospect due to the steep hill).
- Skype for Business would change the way staff worked and in some cases could eliminate the need to travel between work locations and/or enable working from home. This could possibly free-up space at BEC for staff from Lynton House.
- The need to retain a town centre base for the Authority for the public.

The Chief Executive advised that:

- The Income Generation element of the plan had progressed and a number of properties had been purchased which were being used to provide temporary accommodation for the homeless, rather than using Bed and Breakfast placements. This was a good example of how designing service improvements around the needs of the customers could also provide savings. It resulted in families being accommodated in more secure, settled environment and being able to access intervention services if needed. This work had been featured on a recent episode of 'Inside Out' and was being treated as an example of good practice for other Local Authorities. The purchase had been made using a mixture of the Council's budgets and Section 106 allocations. The purchase of our own properties had also provided the Authority with long-term capital assets.
- 'Recycle More' had resulted in increased recycling rates, with areas trialling a three week collection of residual waste and weekly, unlimited, recycling collections and food caddy collections. A paid-for green waste service was also introduced across the North Devon Council area. Some issues with the roll-out had been created due to its timing. The heatwave that summer had resulted in complaints where bins were smelling of rotten food where caddy collections were missed and left on the kerbside for a number of weeks. Some missed collections were caused by routes being too large – where vehicles were full early on the routes and had to return to base. Roads were often blocked by vehicles and our trucks struggled to access. The routes had originally been created with the assistance of an external contractor. The routes were unsuccessful and works had been ongoing to re design them using internal staff. Some routes were now

better designed but not totally efficient. There was still room for improvement.

- Missed collections were recently at around 500 per 100,000 (0.5%) based on the industry standard. Private contractors were able to attain 20-60 missed collection per 100,000. It was noted that although the Council's rate was a low percentage it was still a large number missed.
- Going forward the Council's Waste and Recycle service would need to be robust enough to cope with a roll out of the any services (as per the trial areas) eg suitability of vehicles, number of staff etc.
- The benefits of purchasing vehicles, as opposed to hiring or leasing, would need to be reviewed.
- Further work in relation to training staff and staff instructions was ongoing. There needed to be a consistent approach to collections, as, for example, one team may not collect a bin which was partially on private property, when another team may do so.
- The Plastic Free Consortium had been established by North Devon Council in order to co-ordinate the various organisations in the area.
- A Peer Review had been planned alongside a review on transformation.

The Committee passed on their appreciation of the teams involved with the purchase of the properties for temporary accommodation placements and congratulated them on their work.

RESOLVED that the update be noted.

42. AUDIT RECOMMENDATION TRACKER

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

The Committee noted the following updates:

- Table A detailed the 17 live recommendations.
- Table B detailed the 6 recommendations completed since the last meeting of the Committee.
- Table C detailed 3 recommendations for which time extensions were being requested. It was noted that Recommendation 17 G 07 remained on the tracker as the team wished to review the current procedures at the end of the financial year when a full appraisal of the new system could be carried out. Recommendations 16 SP 01 and 17 PO 01 were delayed due to policy changes.
- Recommendation 17 G 07: the new system had been installed however the current percentage of applications submitted electronically was approximately 30%. Assistance with online applications was available by phone or email with the Corporate and Community Services team.
- Table D detailed 1 outstanding recommendation in relation to risk registers which was being picked up as part of this year's service planning process.

- 14 AGS 02 (Table E) would be finalised once the final testing of the ICT Disaster Recovery Plan were completed.

RESOLVED that:

- (a) the actions completed since the 3rd September 2019 Committee meeting be noted;
- (b) time extension be granted for those recommendations as listed in table C;
- (c) 17 RM&CG 02 be given a new due date of 31st December 2019; and
- (d) the Audit Recommendation Tracker be noted.

43. WORK PROGRAMME

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

RESOLVED that:

- a) the Chief Executive provide a further update on the 21:21 project to the Governance Committee in March 2020; and
- b) the Work Programme 2019/20 be noted.

Chairman

The meeting ended at 7.28 pm

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

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North Devon District Council Internal Audit Progress Report

December 2019

Distribution List:

Ken Miles	-	Chief Executive
Jon Triggs	-	Head of Resources
Governance Committee		

This report ("Report") was prepared by Mazars LLP at the request of North Devon District Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

This Report was prepared solely for the use of North Devon District Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance based on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix IV of this Report for further information about responsibilities, limitations and confidentiality.

1. INTRODUCTION

- 1.1 The purpose of internal audit is to provide Members and the Chief Executive, through the Governance Committee, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving North Devon District Council's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes within North Devon District Council and on a cyclical basis, the operation of internal control systems within the organisation.
- 1.2 This report sets out the internal audit activity since the last Governance Committee meeting in November 2019 for North Devon District Council.

2. COMPLETION OF THE INTERNAL AUDIT PLAN

- 2.1 Appendix I details the 2018/19 Audit Plan and shows the status of work to date and the number of days delivered.

The following table summarise progress against the plan:

Number of audits in plan	17	
Number of audits finalised	11	65%
Number of audits issued at draft	1	6%
Number of audits in progress	5	29%
Number of audits with agreed planned dates	0	
Number of audits to be planned	0	

Appendix II details the 2019/20 Audit Plan and shows the status of work to date and the number of days delivered.

The following table summarise progress against the plan:

Number of audits in plan	19	
Number of audits finalised	0	
Number of audits issued at draft	0	
Number of audits in progress	6	32%
Number of audits with agreed planned dates	2	
Number of audits to be planned	12	

- 2.2 We can report that based on the number of days in the plan (excluding contingency) as at 30th September 2019, 100% of the 2018/19 Operational Internal Audit Plan has been completed and 32% of the 2019/20 Operational Internal Audit Plan has been completed.
- 2.3 We have issued one final report since the last Committee meeting.

Crematorium 2018/19

2.4 Appendix III details the 2018/19 Audit recommendations for individual reports with a full or substantial overall opinion finalised since the last Governance Committee meeting. Recommendations with a priority rating of 2 are detailed in full, whilst those with a rating of 3 are not shown in detail. In addition, an overall audit opinion is given for each report.

Management responses are only included where there is a substantial comment. Where management has accepted the recommendation this has not been included.

Significant Control Weaknesses 2018/19

2.5 Based on the work we have undertaken, there are no priority one recommendations to bring to the attention of the Governance Committee.

Performance of the Internal Audit Service

2.6 The following tables detail the Internal Audit service performance for the 2018/19 and 2019/20 years measured against the key performance indicators set out in the Internal Audit Quality Plan.

No.	Performance indicator	Target	Actual 18/19
1.	A close out meeting to be held for each audit	100%	100%
2.	Average period between the close out meeting and issue of the draft report	10 days	4.4 days
3.	Average period between the receipt of final management responses and issue of the final report	10 days	1 day
4.	Average customer satisfaction score (measured by survey for each audit) – (Target is 80% or 4 or above) 5=Very good; 4=Good; 3=Satisfactory; 2=Poor; 1= Very poor	4	3.83

No.	Performance indicator	Target	Actual 19/20
1.	A close out meeting to be held for each audit	100%	100%
2.	Average period between the close out meeting and issue of the draft report	10 days	n/a*
3.	Average period between the receipt of final management responses and issue of the final report	10 days	n/a*
4.	Average customer satisfaction score (measured by survey for each audit) – (Target is 80% or 4 or above) 5=Very good; 4=Good; 3=Satisfactory; 2=Poor; 1= Very poor	4	n/a*

* - No reports issued for 2019/20 yet.

3. Action Required

3.1 The Governance Committee is asked to note our progress report.

Appendix I – Progress against the Internal Audit Plan 2018/19

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
1.	Risk Management and Corporate Governance	Q4	10	Medium	Substantial	0	1	2	Final Report 21 st August 2019
2.	Main Accounting System and Budgetary Control	Q3	12	High	Substantial	0	0	1	Final Report 5 th March 2019
3.	Creditors	Q3	10	Medium	Substantial	0	1	2	Final Report 16 th August 2018
4.	Payroll	Q1	10	Medium	Substantial	0	0	1	Final Report 16 th August 2018
5.	Cash Collection	Q2	8	Medium	Substantial	0	0	1	Final Report 13 th December 2018
6.	Council Tax and NNDR (including NNDR maximisation)	Q3	15	Medium	Substantial	0	0	1	Final Report 8 th January 2019
7.	Housing Benefits	Q1	10	Medium	Substantial	0	0	1	Final Report 12 th December 2018
8.	Efficiency savings	Q2	10	Medium	Full	0	0	0	Final Report 23 rd August 2019
9.	Waste Management (Refuse and Recycling)	Q3	10	Medium					Draft Report issued 3 rd October 2019
10.	Regeneration Projects	Q1	10	Medium					Fieldwork completed, draft report in progress
11.	Business Continuity	Q2	10	High					Fieldwork completed, draft report in progress
12.	Civil Contingencies Plan	Q1	10	High					Fieldwork completed, draft report in progress
13.	IT Audits:	Q4		High					
	- GDPR		11		Substantial	0	1	5	Final Report 19 th February 2019
	- Email Exchange		11		Limited	0	3	1	Final Report 24 th January 2019
14.	Fraud, Bribery & Ethics National Fraud Initiative	Q2	8	Low					Fieldwork completed, draft report in progress

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	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
15.	VAT	Q1	10	Low	Substantial	0	0	1	Final Report 9 th October 2019
16.	Crematorium	Q4	3	Low	Full	0	0	0	Final Report 22 nd October 2019
17.	Follow Up	Q4	10	N/A		0	0	0	Final Report 22 nd August 2019
18.	Contingency		20	N/A					
19.	Audit Management		22	N/A					
	Total		220			0	6	16	

Appendix II – Progress against the Internal Audit Plan 2019/20

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
1.	Risk Management and Corporate Governance	Q4	10	Medium					Fieldwork completed, draft report in progress
2.	Main Accounting System and Budgetary Control	Q3	12	High					Audit programmed in for w/c 7 th January 2020
3.	Debtors	Q1	8	Medium					Fieldwork completed, draft report in progress
4.	Payroll	Q1	10	Medium					Fieldwork completed, draft report in progress
5.	Treasury Management	Q1	8	Medium					Fieldwork completed, draft report in progress
6.	Council Tax and NNDR (including NNDR maximisation)	Q2	15	Medium					Fieldwork completed
7.	Housing Benefits	Q2	10	Medium					Fieldwork in progress
8.	Human Resources	Q3	10	Medium					
9.	Housing Needs	Q3	10	Medium					
10.	New Housing Schemes	Q2	10	Medium					
11.	Building Control	Q3	10	Medium					
12.	IT Audit	Q4	22	High					
13.	CCTV	Q4	8	Medium					
14.	Contracts and Capital Expenditure	Q3	10	High					
15.	Performance Management	Q4	10	Medium					

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Agenda Item 9

	Audit Title	Proposed Quarter	Planned Days	Anticipated Risk Level	Assurance	Priority One	Priority Two	Priority Three	Status
16.	Safeguarding	Q3	8	Low					
17.	Crematorium	Q4	3	Low					Audit programed in for w/c 17 th February 2020
18.	Follow Up	Q4	10	N/A					Audit programmed for w/c 23 rd December 2019
19.	Contingency		0	N/A					
20.	Audit Management		22	N/A					
	Total		196			0	5	13	

Appendix III – Internal Audit Recommendations 2018/19

Crematorium

Full Assurance



Scope

The audit covered the following areas:

- Appropriate Accounting Records;
- Financial Regulations;
- Risk Assessment;
- Funding
- Income Arrangements;
- Petty Cash;
- Salaries and Allowances;
- Asset and Investment Registers;
- Periodic and Year end Bank Reconciliations; and
- Preparation of Accounting Statements

No recommendations were raised

Appendix IV - Statement of Responsibility

We take responsibility to North Devon District Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Audit Progress Report and Sector Update

North Devon District Council
Year ending 31 March 2020
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Introduction



Geraldine Daly

Engagement Lead

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This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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Mark Bartlett

Engagement Manager

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PSAA Contract Monitoring

North Devon District Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which started with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us.

Progress at 12 December 2019

Financial Statements Audit

We will begin our planning for the 2019/20 audit in January and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report the findings from our interim audit in our progress report.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

The NAO is consulting on a new Code of Audit Practice from 2020 which proposes to make significant changes to Value for Money work.

Progress at 12 December 2019 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claim was completed on 29 November 2019, in advance of the 30 November deadline.

The findings from our certification work are set out within this update report from page 7.

Meetings

We meet with the Head of Paid Service and Head of Resources as part of our regular liaison meetings, and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to our Financial Reporting Workshops, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts. The Bristol event is 30 January, with the Plymouth workshop on 11 February 2020.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your Head of Resources including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Governance Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Annual Certification Report This report reports any matters arising from our certification work.	December 2019	Complete
2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2019	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.	March 2020	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	March 2020	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the Governance Committee.	July 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2020	Not yet due

Annual Certification Report

This section summarises our grants certification work and fees charged for 2018/19.

We certify the Council's annual Housing Benefit Subsidy claim in accordance with the Housing Benefit Assurance Process (HPAP) procedures agreed with the Department for Work and Pensions.

We have certified the Housing Benefit subsidy claim for the financial year 2018/19 relating to subsidy claimed of £24.1 million. Further details of this claim are set out in Appendix A.

We identified a number of issues from our certification work, which we wish to highlight for your attention. These are set out in the HBAP Report at Appendix B.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP on 29 November 2019. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The base fee for 2018/19 for the Council was £21,253, with the fee for each additional set of 40+ testing being £1,785, as set out in our quote dated 1 May 2018. There were two additional sets of 40+ testing required and the final fee is therefore £24,823. This is set out in more detail in Appendix A.

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Appendix A - Details of claims and returns certified for 2018/19

Claim or return	Value	Amended?	Amendment (£)	Exceptions/Errors?	Comments
Housing benefits subsidy claim	£24,138,137	Yes	(4)	Yes	The HBAP Report to the DWP sets out the results of our testing and is included at Appendix C.

Claim or return	2017/18 fee (£)	2018/19 base fee (£)	2018/19 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim	£13,387	£21,253	£24,823	£3,570	<p>The 2017/18 fee was set by PSAA and was based on prior year fee levels rather than the amount of work required to complete the work.</p> <p>The 2018/19 base fee was based on the estimated amount of work required to complete the testing. Our quote included a fee of £1,785 per set of additional 40+ testing. There were two sets of 40+ testing resulting in an additional fee of £3,570.</p>

Appendix B – North Devon DC HBAP report to the DWP

29 November 2019

Dear Sirs

Housing Benefit (Subsidy) Assurance Process 2019 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2019

This report is produced in accordance with the terms of our engagement letter with North Devon District Council dated 15 June 2018 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2018/19 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of North Devon District Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 29 April 2019.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2018/19.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Respective responsibilities of the Local Authority and the reporting accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 2018/19 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

Our approach

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2018/19 dated 29 April 2019 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the local authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the International Standard on Related (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 29 April 2019 and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

Appendix B – North Devon DC HBAP report to the DWP (cont.)

Inherent limitations

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

Summary of HBAP report

Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was tested by us for all general expenditure cells:

Cell 011 Non HRA Rent Rebates

Initial Testing of Cell 011 identified that the Local Authority has incorrectly calculated earned income resulting in an overpayment of benefit. The Authority identified all claims with earned in Cell 011 and has tested each claim.

Cell 094 Rent Allowance

Initial Testing of Cell 094 identified that the Local Authority had entered the incorrect dates for the benefit run-on period following the claimant moving to universal credit resulting in an underpayment of benefit. The Authority identified all claims with run-on dates entered manually before the system was updated to calculate this automatically and has tested each claim. Initial Testing of Cell 094 identified that the Local Authority had entered a claimant's pension twice in error resulting in an underpayment of benefit.

Completion of Modules

Completion of Module 2

We have completed the uprating checklist and no issues were identified.

Completion of module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Summary of testing arising from Cumulative Assurance Knowledge and Experience

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding Qualification Letter. The Authority has completed testing of the sub populations for:

Rent allowances Cell 094 overpaid Benefit earned income calculation error

Summary paragraph/ending of letter

For the form MPF720A dated 27 November 2019 for the year ended 31 March 2019 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D).
Firm of accountants: Grant Thornton UK LLP
29 November 2019

Appendix B – North Devon DC HBAP report to the DWP (cont.)

Appendix A Exceptions/errors found

Cell 094 Overpaid benefit – Earned Income calculation error

Cell 094: Rent allowances total expenditure

Cell Total: £24,217,794

Cell Total £1,545,082 – sub population

Cell Population: 6,464 cases

Cell Population: 400 cases – sub population

Headline Cell: £24,217,794

In 2016/17 and 2017/18 it was identified that the Local Authority has incorrectly calculated earned income resulting in an overpayment of benefit. Testing of our initial sample of 20 cases did not identify any errors.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income was tested. This additional testing identified:

4 cases which resulted in an overpayment of housing benefit to a total of £181.58 in 2018/19 due to miscalculating the claimants earned income. The errors ranged from £2.88 to £69.50.

3 cases which had resulted in an underpayment of housing benefit to a total of £55.98 in 2018/19 due to miscalculating the claimants earned income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
Initial sample – 20 cases	Incorrect Income Calculation	£24,217,984	£0	£58,797		
CAKE sample – 40 cases	Incorrect Income Calculation	£1,545,082	£-182	£269,191		
Combined sample - 60 cases	Incorrect Income Calculation	£1,545,082	£-182	£327,988	0.055%	£857
Corresponding adjustment:	Cell 102 is overstated	£1,545,082	£-6	£327,988	0.002%	£-28
Corresponding adjustment:	Cell 103 is overstated	£1,545,082	£-98	£327,988	0.03%	£-462
Corresponding adjustment:	Cell 114 is overstated	£1,545,082	£-78	£327,988	0.02%	£-367
Total corresponding adjustment	Total understatement of Cell 113					£857

Appendix B Observations

Cell 094: Rent Allowances – Total expenditure (Benefit Granted)

Cell Total £24,217,794

Cell Population 6,464

Headline Cell £24,217,794

Underpaid benefit

Testing of the initial sample identified 1 case where a non index lined pension had been duplicated in the claimant's income, resulting in an underpayment of benefit.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments that could be identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes. Because this error will always result in an underpayment of benefit, additional testing has not been undertaken.

Appendix B – North Devon DC HBAP report to the DWP (cont.)

Appendix C: Amendments to the claim form MPF720A

Cell 013 Board and lodging and non self-contained licenced accommodation where the local authority is the landlord

The LA identified that a manual adjustment made before the subsidy was run had been made in cell 13 when it should have been a technical overpayment in cell 027, with cell 13 being overstated by £1 and cell 27 understated by the same amount.

This is reflected in the amendment made to Form MPF720a dated 27 November 2019.

Cell 114 Overpaid rent allowances (current year) Eligible overpayments

Initial testing identified 1 case where a benefit run-on had been entered for 15 days rather than 14 days. This was during the period from which the LA went live for Universal Credit, and the date that the software supplier updated the system to enable automatic calculation. The LA tested all claims with manually input run-on dates and identified 6 further errors.

The number of cases with manually input run-on dates were 14 and we re-performed the test on 7 cases. The LA has undertaken to amend all cases found to contain the error in the 2019/20 subsidy year.

The initial case had resulted in an overpayment that had been allocated to cell 114, meaning that cell 114 was overstated by £9 and cell 111 was understated by the same amount. There were no other cases that resulted in an overpayment of benefit.

This is reflected in the amendment made to Form MPF720a dated 27 November 2019.

Appendix D Additional issues

Cell 11 Rent rebates (Tenants of Non-HRA properties) – Total expenditure (Benefit granted)

Cell total £352,007

Cell population 130

Headline cell £352,007

Testing of the initial sample of 20 cases identified 1 case where benefit had been overpaid by £33 as a result of the Authority miscalculating the claimant's weekly income.

The Authority identified and tested the sub-population of 27 cases with earned income (£19,549).

The Authority's testing identified 2 further cases where the claimant's weekly income was miscalculated, resulting in overpayments of benefit of £49.

We re-performed 5 cases and did not identify any further errors.

The Authority has undertaken to amend all 3 cases in the 2019/20 subsidy year.

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Financial Reporting Council – Summary of key developments for 2019/20 annual reports

On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

Critical judgements and estimates

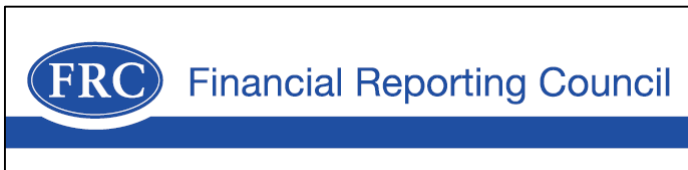
The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.

IFRS 16 Leases

The FRC letter notes “IFRS 16 is effective for periods beginning on or after 1 January 2019. We recently conducted a thematic review looking at how companies reported on their adoption of the new standard in their June 2019 interim accounts. In advance of our detailed findings which will be published shortly, I set out what we expect to see by way of disclosures in the forthcoming accounts, drawing on the results of our work.

- Clear explanation of the key judgements made in response to the new reporting requirements;
- Effective communication of the impact on profit and loss, addressing any lack of comparability with the prior year;
- Clear identification of practical expedients used on transition and accounting policy choices; and
- Well explained reconciliation, where necessary, of operating lease commitments under IAS 17, ‘Leases’, the previous standard and lease liabilities under IFRS 16.”

The implementation of IFRS is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases and the three interpretations that supported its application. Authorities will need information and processes in place to enable them to comply with the requirements. They will need to make disclosures in the 2019/20 accounts about the impact of IFRS 16 in accordance with IAS 8/ Code 3.3.4.3 requirements for disclosure about standards which are issued but are not yet effective.



What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.grantthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

<https://www.ifs.org.uk/publications/14563>



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NORTH DEVON DISTRICT COUNCIL

REPORT TO: GOVERNANCE COMMITTEE

Date: 7th January 2020

TOPIC: AUDIT RECOMMENDATION TRACKER

REPORT BY: HEAD OF CORPORATE AND COMMUNITY SERVICES

1 Introduction

- 1.1 This is the regular progress report to the Committee in relation to action taken to address internal and external audit recommendations.

2. Recommendations

- 2.1 That the Committee note the actions that have been taken to address identified risks since the 5th November Governance Committee meeting.
- 2.2 That the Committee raises any areas of concern arising from the list of outstanding recommendations.

3. Reasons for Recommendations

- 3.1 To give assurance to the Committee that audit recommendations are being actively managed, and to give the Committee a full opportunity to review any areas of concern.

4. Report

- 4.1 SMT has reviewed the high and medium risk audit recommendations to assess progress and instigate any required actions.
- 4.2 Since the last meeting the number of recommendations now tracked has raised to 1,199.

Table A) Live Audit Reports, Status & Numbers

















Code	Title	Status	Progress	High Risk	Medium Risk	Low Risk
15 DR	Disaster Recovery 2015/16	 In Progress	89%	0	6	0
15 HN (CBL)	Housing Needs (Choice Based Lettings) 2015/16	 In Progress	80%	0	1	0
16 BCM	Business Continuity Management 2015/16	 In Progress	93%	0	8	1
16 HN (CBL)	Housing Needs (Choice Based Lettings) 2016/17	 In Progress	85%	0	0	5
16 PL	Planning Applications 2015/16	 In Progress	91%	0	3	0
16 SP	Severance Packages 2015/16	 In Progress	50%	0	1	1
17 ITAM	IT Asset Management 2016/17	 In Progress	87%	1	6	0
17 RM & CG	Risk Management and Corporate Governance	 Overdue	93%	0	3	1
17 CS	Cyber Security 2016/17	 In Progress	78%	0	3	3
17 SRR	Security Review Report 2017/18	 In Progress	95%	4	5	0
17 L	Licencing 2017/18	 In Progress	75%	0	1	3
17 G	Grants 2017/18	 In Progress	99%	0	2	5
17 PO	Parking Operations 2017/18	 Overdue	75%	0	2	0
19 E&ES	Email & Exchange Server 2018/19	 In Progress	91%	0	3	1
19 GDPR	General Data Protection Regulations 2018/19	 In Progress	83%	0	0	7
19 CG & RM	Corporate Governance & Risk Management 2018/19	 In Progress	33%	0	2	1

Table B: Audit recommendations setting completed since the last Audit Committee

Recommendation	Closure Note	Original Due Date	Completed Date
NIL			

Table C: Outstanding Audit Recommendations where Head of Service have requested a revision to the due date


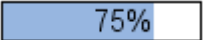
Code	Description	Progress	Latest Note	Original Due Date	Due Date
PO 01 Review of processes and procedures	The Council should consider and review its parking operation processes and procedures and revise where needed to ensure that value for money is being achieved.		21-Oct-2019 Procurement of new handheld technology completed for CEOs with go live 14 October 2019, further functionality being investigated. CEO handbook work stalled due to staff changes. National Standard CEO Handbook in development with British Parking Association. Request Revised Due Date: April 2020.	30-Sep-2019	30-Sep-2019
17 RM&CG 02 Completeness of Service Risk Registers	Heads of Service should ensure all service risk registers have identified, assessed and scored all risks, with risk owners identified. Any mitigating controls, present or planned, should also be noted in each risk register.		02-Dec-2019 SMT have just commenced the 2020/21 Service Planning Process and ALL Heads of Service will be required to update their Risk Registers as part of that process and these will be taken through SMT, until we are satisfied that they have all been reviewed. Request revised due date: 31 January 2020	30-Apr-2017	31-Oct-2017

Table D: Outstanding Audit Recommendations

Code	Description	Progress	Latest Note	Original Due Date	Due Date
NIL					

5. Progress tracking of Annual Governance Statement

- 5.1 An annual review of NDC's governance arrangements leads to the Annual Governance Statement, which forms part of the Statement of Accounts.
- 5.2 In addition to any other issues the review captures recommendations from external and internal audit and inspections and sets out an action plan. This plan is tracked through Covalent.

2013/14 AGS action plan is 93 % complete

6. Constitution Context


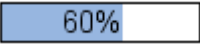
Appendix and paragraph	Referred or delegated power?
5.5	Delegated

7. Statement of Internal Advice

- 7.1 The author (below) confirms that advice has been taken from all appropriate Councillors and officers.

Author: Sarah Higgins Date: 11th December 2019
Reference: Audit Recommendation Report January 2020 V.1.0

Table E: Annual Governance Statement

Code	Description	Status	Progress Bar	Latest Note	Original Due Date	Due Date
14 AGS 02	Review & update the IT Disaster Recovery Plan	 In Progress		Extension of Time Request extended to 31 st March 2020 approved by Governance Committee 11 th June 2019. The Business Continuity Recommendations have last month (April 19) confirmed which services they have established are priority services for recovery. ICT await absolute confirmation that these are now the priorities. ICT will then review these and advise SMT/Governance what our currently recovery capabilities are and what further mitigation would be required to achieve these recovery points. This will require a revised back-up model either on-premise, in the cloud or a hybrid approach. ICT will also consider Disaster Recovery as a Service (DRaaS) which would also provide x2 DR Test Plans a year. ICT also have an approved Cyber Incident Response Plan.	31-Mar-2015	31-Mar-2020

Governance Committee Work Programme 2019/20

This work programme provides structure for the Audit Committee to ensure it receives reports and updates at the appropriate meetings throughout the year. It is reviewed and updated at each committee meeting.

	Jun 2019	Jul 2019	Sep 2019	Nov 2019	Jan 2020	Mar 2020
North Devon Council items						
Review of the Committee's Terms of Reference						
Annual Review of the Committee's effectiveness (JT)						
Half Yearly Report from the Chair of the Governance Committee (KJ).			Sept each year			March each year
Annual Governance Statement						
Statement of Accounts						
Letter of Representation (JT)						
Compensation payments made under delegated powers. (Claire H)						
Corporate Risk Register (SH)						
Major changes to Accounting Policies Management procedures to be reported by the Head of Resources						
Update on Governance Arrangements						
21:21 Phase 2 Report (KM)						
Update on Business Continuity						

	Jun 2019	Jul 2019	Sep 2019	Nov 2019	Jan 2020	Mar 2020
Internal Auditor items						
Internal Audit Annual report			Moved from June 2019			
Internal Audit Strategy and Plan						
Internal Audit Charter						
Internal Audit Progress Report						
External Auditor items						
External Audit - Fee Letter						
External Audit - Findings Report						
External Audit - Annual Audit Letter						
External Audit - Plan						
Certification Work Report						
External Audit - Progress Report and Sector Update		Unavailable				
Standing Items						
Audit Recommendation Tracker						
Work Programme						