

**NORTH DEVON COUNCIL**

Minutes of a meeting of Governance Committee held at Barum Room - Brynsworthy on Tuesday, 10th March, 2020 at 6.00 pm

PRESENT: Members:

Councillor Roome (Chair)

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

Officers:

Head of Resources, (JT), Monitoring Officer and Senior Solicitor, (TB) and Head of Environmental Health and Housing, (JM)

Also Present:

Mr Peter Barber, External Auditor from Grant Thornton, and Mr David Curnow, Internal Auditor, Deputy Head of Devon Audit Partnership

**55. APOLOGIES FOR ABSENCE**

No apologies for absence were received.

**56. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 7TH JANUARY 2020.**

RESOLVED that the minutes of the meeting held on 7<sup>th</sup> January 2020 (circulated previously) be approved as a correct record and signed by the Chair.

**57. DECLARATIONS OF INTERESTS.**

The following declaration of interest was declared:

Councillor Walker Item 16, Table D, declared a personal interest as she has a close family member on the Housing register.

**58. REVIEW OF THE COMMITTEE'S TERMS OF REFERENCE**

The Committee considered a report by the Monitoring Officer regarding the Review of the Committee's Terms of Reference (circulated previously).

The Monitoring Officer presented the report to the Committee and confirmed that this was an annual report and that the Committee's terms of reference required no change.

**59. HALF YEARLY REPORT FROM THE CHAIR OF THE**

**GOVERNANCE COMMITTEE**

The Committee considered the Half Yearly Report of the Chair of the Governance Committee (circulated previously).

RESOLVED that the report be noted and proceed to Council for consideration.

**60. ANNUAL REVIEW OF THE COMMITTEE'S EFFECTIVENESS.**

The Head of Resources confirmed that nine questionnaires had been sent to the Committee members in relation to the annual assessment of the effectiveness of the Governance Committee, (circulated previously).

The Committee was nine months into a new term so it was valid that there were answers of 'don't know' as a full cycle of the Committee had not yet been completed.

Five of the questionnaires had been returned and the Head of Resources gave further explanations to some of the answers given as follows:

With regards to answers given under the Establishment, Operation and Duties section, Role and Remit;

- The Governance Committee does make a formal report to Council detailing its work, on a half yearly basis
- The Committee received regular updates from Grant Thornton in relation to topical legal and regulatory issues
- There was an opportunity for members to meet, (with no Officers present), with the Head of Internal Audit and External Auditors prior to the Committee and this meeting could be reinstated if so required
- The Chief Financial Officer does assess the performance of external audit via an independent assessor.

Membership, induction and training;

- It was a statutory requirement that new Governance Committee members received an induction and appropriate training
- All training had been provided

Financial Reporting and Regulatory matters;

- A full cycle of the Committee had not yet taken place but that a review of management's letter of representation was carried out as part of the conclusion of the audit process

**61. INTERNAL AUDIT PROGRESS REPORT.**

The Committee considered a report by MAZARS Public Sector Internal Audit Limited regarding the Internal Audit progress report March 2020, (circulated previously).

The Head of Resources advised the Committee of the following in relation to the Internal Audit Progress report:

- The 17 audits in the 2018/19 plan were now all complete
- There were 18 audits in the 2019/20 plan, four of which would not be completed by the end of March 2020
- Two final reports had been issued on the Business Continuity 2018/19 and Treasury Management 2019/20.
- There was a robust plan moving forwards into 2020/21 under the new arrangement with Devon Audit Partnership

In response to a question the Head of Resources advised that Mazars would not be paid the full internal audit fee for 2019/20 as a proportion of the plan would not be completed.

The Deputy Head of the Devon Audit Partnership introduced himself and assured the Committee that their firm had a resilient staffing level with a wide pool of skill sets. 40 staff were available to carry out audit duties with a set number focussing on North Devon to become familiar with North Devon Council.

## **62. INTERNAL AUDIT PLAN 2020-21**

The Committee considered a report, North Devon Council Internal Audit Plan 2020-21, (circulated previously).

The Internal Auditor, Mr Curnow, advised that the Internal Audit Plan 2020-21 was based on:

- 23 identified areas and associated Corporate risks
- National Fraud Initiative was an annual review as well as duties of the Crematorium
- A new risk added to this plan was Climate change which would be audited by means of looking at the Authority's response to climate change initiatives.
- Cyber audits could be a two to three year piece of work
- Council tax and benefits was being looked at within areas such as discounts
- The plan was likely to respond and change throughout the year

RESOLVED that the Internal Audit Plan 2020-21 be approved.

## **63. INTERNAL AUDIT STRATEGY.**

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

Mr Curnow of the Devon Audit Partnership gave the following update to Committee:

- The strategy set out how the audit was to be delivered
- The scope of the audit

- What the audit objectives were
- Build up an overall opinion on the framework
- Findings to be presented at the end of the year in the annual report

RESOLVED that the Internal Audit Strategy be noted.

**64. INTERNAL AUDIT CHARTER.**

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

Mr Curnow of the Devon Audit Partnership gave the Committee an update as follows:

- The Charter was a document setting out how the Devon Audit Partnership would deliver their audit
- It was known as their terms of reference document, setting out who reports to whom, accountability, responsibilities and their professional relationship
- There was an annual requirement for the Charter to be refreshed.

The Chair of the Committee thanked Mr Curnow for his update and welcomed working with the Devon Audit Partnership.

RESOLVED that the Internal Audit Charter be noted.

**65. ORDER OF AGENDA**

RESOLVED that items 14 and 15 be considered ahead of item 13.

**66. 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, Peter Barber, highlighted the following:

- The external auditors would be visiting North Devon Council in the next month as part of the interim audit
- Last year had been the hardest year experienced in terms of meeting obligations due to changes in regulations and staff losses
- The draft accounts were due to be received in May
- The final accounts were due to be audited in July but the auditors were in dialogue with the Council early as this deadline was not going to be achieved by Grant Thornton
- Grant Thornton would be providing narrative explaining reasons for the late submission of the final audit
- The recent Brydon review related to all auditors and calls for a review of the auditing process something which Grant Thornton supported
- The Minister for Housing, Communities and Local Government had last July announced that a review of public sector audits was to be

undertaken to determine whether current audit arrangements were “fit for purpose”

- The detail and size of accounts was growing and this led to the lay person not engaging or reading documents as a 300 plus page document on some councils accounts was off putting

In response to a question about why the auditing of accounts couldn't be done using Artificial Intelligence, Mr Barber explained that the complex code of practice for Local Authorities as well as each Local Authority being different meant this could not be used.

In response to a question about what Grant Thornton were doing to recruit new staff, Mr Barber replied that the Company was doing all it could which included national recruitment adverts.

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

**67. EXTERNAL AUDIT SCOPE AND ADDITIONAL WORK LETTER 2019/20**

The Committee considered the External Audit Scope and Additional Work Letter 2019/20 from Grant Thornton, (circulated previously).

The external auditor, Mr Barber, explained the following:

- The purpose of the letter was to explain the additional works to be undertaken and costs involved with that to be charged in 2019/20
- The proposal was an uplift of fee, last year's additional fee was £4,500 and the proposal for 2019/20 was an additional fee of £7,500 over and above the scale fee which was subject to ratification and sign off

In response to a question about whether a penalty clause could be added to ensure timely delivery of works Mr Barber advised that the contract was regulated by the Public Sector Audit Appointments Limited (PSAA). North Devon Council were in a five year contract currently and Grant Thornton were attempting to discharge their duties efficiently.

The Head of Resources added that it was a difficult situation but that the cost of the fees in total was overall less than the Authority were paying three years ago.

In relation to staff shortages over the summer months it had been decided to push the planned external audit to September 2020 when a concentrated period of two-three weeks would be set aside to focus on the final accounts.

RESOLVED that the External Audit Scope and Additional Work Letter 2019/20 be noted.

**68. EXTERNAL AUDIT PLAN**

The Committee considered a report by Grant Thornton regarding the External Audit Plan 2019/20, (circulated previously).

The External Auditor, Mr Barber, highlighted the following:

- Pension liability was looked at in greater detail and this was a large area of work to be undertaken
- The materiality was set at £1.1- million for the Authority which equated to 2% of the prior year gross expenditure for the year. North Devon Council were considered a low risk.
- A new risk identified was International Financial Reporting Standard (IFRS) 16 Leases.

RESOLVED that the External Audit Plan for 2019/20 be noted.

**69. AUDIT RECOMMENDATION TRACKER.**

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

The Committee noted the following updates:

- No recommendations had been included in table B (recommendations completed since the last meeting of the Governance Committee)
- Table C detailed 3 recommendations for which time extensions were being requested. Recommendation 16 PL 03 S106 was requesting an extension to date as this software module was still being worked on. Requests, 17 RM&CG 02 and 19 CG&RM 01 were seeking extensions to 31<sup>st</sup> March 2020

Councillor Walker declared a personal interest in relation to information on Table D.

- Table D detailed 1 outstanding recommendation, 15 HN (CBL) 01, which the Head of Environmental Health and Housing confirmed had actually now been completed
- Recommendation 14 AGS 02 was reliant on other recommendations being completed

RESOLVED:

- (a) That the extensions to timescales requested in the Audit Recommendation Tracker be approved; and
- (b) That the Audit Recommendation Tracker be noted

**70. WORK PROGRAMME**

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

RESOLVED that the work programme for 2019/20 be noted.

**71. EXCLUSION OF PUBLIC AND PRESS AND RESTRICTION OF DOCUMENTS**

RESOLVED:

- (a) That, under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item as it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of the Schedule 12A of the Act (as amended from time to time), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
- (b) That, all documents and reports relating to the item be confirmed as "Not for Publication".

**72. CORPORATE RISK REGISTER**

The Committee considered the Corporate Risk register, report by the Chief Executive, (circulated previously).

The Head of Resources advised the Committee that the Corporate Risk Group had updated the associated risks. Each was shown with updated notes.

There had been one risk deleted as the Local Plan had now been adopted.

There had been one new risk added in relation to pandemic influenza.

In response to questions from the Committee the Head of Environmental Health and Housing confirmed that:

- Hand sanitizers and hand washing instructions had been emailed to all staff and posters were displayed around the building
- The authority was following guidelines set out by Public Health England

RESOLVED that the Corporate Risk Register be noted.

Chair

The meeting ended at 8.25 pm

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