



## 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, 10TH MARCH, 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 Bushell, Campbell, Henderson, Jenkins, Luggar, Phillips, Topps and Walker

### **AGENDA**

1. Apologies for absence
2. To approve as a correct record the minutes of the meeting held on 7th January 2020. (Pages 7 - 14)
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. **Review of the Committee's Terms of Reference** (Pages 15 - 18)  
Report by the Monitoring Officer (attached).

7. **Half Yearly Report from the Chair of the Governance Committee** (Pages 19 - 22)  
To consider the Half Yearly report from the Chair (attached).
8. **Annual Review of the Committee's Effectiveness.** (Pages 23 - 32)  
Report by the Head of Resources (attached).
9. **Internal Audit Progress Report.** (Pages 33 - 48)  
Report by MAZARS Public Sector Internal Audit Limited (attached).
10. **Internal Audit Plan 2020-21** (Pages 49 - 52)  
Report by Devon Audit Partnership (attached).
11. **Internal Audit Strategy.** (Pages 53 - 58)  
Report by the Devon Audit Partnership (attached).
12. **Internal Audit Charter.** (Pages 59 - 66)  
Report by the Devon Audit Partnership (attached).
13. **External Audit Plan** (Pages 67 - 84)  
Report by Grant Thornton (attached).
14. **External Audit Progress Report and Sector Update** (Pages 85 - 100)  
Report by Grant Thornton (attached).
15. **External Audit Scope and Additional Work Letter 2019/20** (Pages 101 - 104)  
Letter from Grant Thornton (attached).
16. **Audit Recommendation Tracker.** (Pages 105 - 112)  
Report by the Chief Executive (attached).
17. **Work Programme** (Pages 113 - 114)  
To consider the work programme (attached).
18. **Exclusion of Public and Press and Restriction of Documents**  
RECOMMENDED:
  - (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 involves the likely disclosure of exempt information as defined by 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”.

**PART B (CONFIDENTIAL RESTRICTED INFORMATION)**

- 19. **Corporate Risk Register** (Pages 115 - 150)  
Report by the Chief Executive (attached).

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

2.03.20



### **North Devon Council protocol on recording/filming at Council meetings**

The Council is committed to openness and transparency in its decision-making. Recording is permitted at Council meetings that are open to the public. The Council understands that some members of the public attending its meetings may not wish to be recorded. The Chairman of the meeting will make sure any request not to be recorded is respected.

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.

#### **Notes for guidance:**

Please contact either our Corporate and Community Services team or our Communications team in advance of the meeting you wish to record at so we can make all the necessary arrangements for you on the day.

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.



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**NORTH DEVON COUNCIL**

Minutes of a meeting of Governance Committee held at Barum Room - Brynsworthy on Tuesday, 7th January, 2020 at 6.00 pm

PRESENT: Members:

Councillor Roome (Chair),

Councillors Henderson, Jenkins, Phillips and Walker

Officers:

Chief Executive, Head of Resources, Public Protection Manager,  
Emergency Planning Officer and Senior Solicitor/Monitoring Officer

**44. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Campbell, Saxby and Topps.

**45. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 5TH NOVEMBER 2019**

RESOLVED that the minutes of the meeting held on 5th November 2019 (circulated previously) be approved as a correct record and signed by the Chairman.

**46. ITEMS BROUGHT FORWARD WHICH IN THE OPINION OF THE CHAIR SHOULD BE CONSIDERED BY THE MEETING AS A MATTER OF URGENCY.**

a) Order of agenda

The Committee agreed to consider item 9 (Update on Business Continuity) of the agenda prior to item 6 (Asset Management).

**47. DECLARATIONS OF INTERESTS.**

There were no declarations of interest announced.

**48. UPDATE ON BUSINESS CONTINUITY**

The Public Protection Officer and Emergency Planning Officer provided the Committee with an update on Business Continuity.

The Public Protection Officer gave a brief overview of her background, and that of the Emergency Planning Officer who was a new member of staff.

The Public Protection Officer provided the Committee with an update on Business Continuity, covering the following:

- The Council was a category 1 responder under the Civil Contingencies Act (CCA) 2004. This was the same category as that of the NHS agencies and 'blue light' emergency services' (eg Police, Fire, Environment agency).
- The Council was part of the Devon Emergency Planning Partnership (DEPP). The cost of this was £6,500 per annum, with a further payment of £900 towards the forum. The organisations and blue light agencies within the partnership worked closely together. An emergency could be anything from a flu pandemic to severe weather conditions; any event which could impact business continuity.
- The plans currently in place were:
  - Business Continuity Management Policy (June 2016)
  - Business Incident Management Plan (July 2016)
  - Business Resumption Plan (which identified the critical services and the priority order for restoring these services)
  - Each service also had its own resumption plan (there were currently 11 such plans across the Authority).
- The Council's Licensing and Health and Safety teams had worked together to build up the information on the Authority's website to provide a comprehensive information bank which could be used, for example, by an organisation for event planning. The works could be carried out by the user electronically without further involvement from the officers. The site provided details on noise mitigation, health and safety regulations etc. The site had been used to arrange 25 events via this new method.
- The Business Continuity Plan had been in place since 2016. Critical services had been identified which would have the greatest impact on people and the environment. The Council had experience of a power outage at the Civic Centre in recent years. In that case, staff were relocated to Lynton House where space allowed.

The Emergency Planning Officer confirmed that:

- Business Continuity was the strategic capability of an organisation; providing a framework to assist recovery of critical functions in the event of disruption to the business.
- It was important to ensure that the Business Continuity plans were up to date. There was a duty to plan, and action those plans, as far as practicably possible. The Authority also had a duty to provide general advice and guidance to other organisations (such as local voluntary groups). Local Authorities were the only organisations who had this additional duty under CCA 2004.

The Public Protection Officer, with reference to a report from the Business Continuity Institute, entitled "Horizon Scan report 2019" (published in January 2019), advised the Committee of the following:



- The top three threats (most common) of the prior year (ie in 2018) were:
  1. Unplanned IT and telecom outages
  2. Health and Safety Incident
  3. Lack of talent/key skills
- The top three threats for 2019 had been:
  1. Cyber-attack and data breach
  2. IT and telecom outage
  3. Adverse weather / natural disaster
- Political change had now been listed within the top ten for the first time since 2015.
- As a category 1 responder there was a need to protect the reputation of the organisation; protecting the organisation and achieve minimum impact of any threat.

The External Auditor confirmed that the audit of 2019 had identified the need for improvement and works were underway. There was a need for any plans to be thoroughly tested.

The Public Protection Manager confirmed that a corporate calendar was being created to set out the works required and schedule plan review dates and a schedule of training and exercises.

In response to questions from the Committee, the Emergency Planning Officer confirmed:

- There was a duty to ensure the plans were tested and validated. This would assist in ensuring the roles during a crisis and provide opportunities to practice.
- There was a duty to review the plan regularly. The audit recommendations were the priority. A schedule of works would be drawn up. 'Table top' / theoretical practices were the most cost effective method. These were anticipated to be annual, with 'live' exercises every two years.
- The duty to provide general advice to other business and voluntary organisations was usually achieved by those organisations approaching the Authority themselves and signposting on our website to business continuity resources.

In response to questions from the Committee, the Head of Resources confirmed:

- The results of the testing of the Business Continuity plans and procedures would be brought back to this committee within the MAZARS Internal Audit Progress report. The results could be presented separately if required.
- Other large organisations would usually have their own plans in place. It was more likely for the mid-sized and smaller organisations to require advice. These contacted the Authority direct.
- When the region had experienced heavy snow in previous years, the Authority proactively provided information to the local area via the website; creating a central hub for communications and advice.

- The Brynsworthy Environment Centre (BEC) had a back-up power generator on site.
- An update on Business Continuity could be provided to local Town and Parish Councils at a future parish forum.

The Chair advised that he was now satisfied that the Authority had adequate plans in place to protect the Authority and its business practices. The recruitment of an Emergency Planning Officer had reinforced this.

RESOLVED that the update on Business Continuity be noted.

**49.            ASSET MANAGEMENT PLAN**

The Head of Resources provided the Committee with an update regarding the Asset Management Plan (AMP). He confirmed that:

- There was an Asset Management Plan currently in place. The value of the assets, as presented within the plan, were reported within the annual accounts.
- The Asset Management Plan identified the assets and enabled them to be monitored and assessed to ensure they were being fully utilised.
- The Asset System software package which was currently used to collate this information would be upgraded in 2020.
- The information summarised in the AMP would be used to identify any assets which could be disposed of, or better utilised.
- The AMP was used to record and assess long term liabilities and details of maintenance.

In response to questions from the Committee, the Head of Resources confirmed that:

- There was no material change to the total value of the assets held anticipated, despite fluctuations in the residential market. The majority of the assets owned were commercial, rather than residential. Over the past three years the overall value had remained at approximately £85m. The Council was not looking actively to acquire any new assets.
- The assets were surveyed by the Property Team for any maintenance or repair requirements. The team would be using hand-held tablets to carry out this process in a more efficient manner than historically.

RESOLVED that the update on the Asset Management Plan be noted.

**50.            UPDATE ON GOVERNANCE ARRANGEMENTS**

The Chief Executive provided an update on Governance Arrangements. He referred to the results of the survey which had been issued to all North Devon Council's Councillors. The results of the survey had been circulated previously.

The Chief Executive drew the Committee's attention to the following:

- 11 responses had been received (of a total possible 42). This was 26%.
- He assumed that any Councillors who had particularly strong opinions on the matter would have completed the survey.
- Of those who responded, 6 were newly elected Councillors and 5 had been Councillors prior to the May 2019 election.
- When asked whether they felt engaged and involved in decision making, 73% had said yes, 27% no. This equated to 80% of the existing Councillors feeling involved, and 67% of the new Councillors.
- When asked if they felt that the speed of decision-making had improved 40% said yes, 60% said there was no difference.
- When asked if they felt that the quality of decision-making had improved 40% said yes, 20% said no and 40% said there was no difference.

The Chief Executive advised that in his opinion:

- The responses were mainly positive.
- There were a few comments which would need to be looked at in order to help anticipate further issues. There was mention of a feeling that officers were making decisions without consulting Members. Further engagement between officers, Members and Ward Members would need to be encouraged.
- The new governance arrangements had been made following consideration by the working group. The new model of operation had met the criteria of speeding up the processes and also, not to incur additional cost to the Local Authority. He did not feel that there would be any need to look at any further major changes to the new arrangements.

The Committee discussed:

- There were sometimes difficulties in obtaining answers from officers. Some had received no answers to their queries, others experienced delays. This was not the case with all departments/teams.
- New Councillors had the opinion that the staff were very hardworking.
- Councillors could also help to create better working relationships with the officers by coming in to the offices to meet up in person. They could also take a look at their own working practices and methods to see if they may need to be adjusted.
- Council and Committee meetings were pleasant to attend and worked well.
- Councillors who had been elected prior to May 2019 had found that the new system was working well and it was easier to get opinions heard. Staff also appeared more at ease and more able to speak to the Councillors and consider opinions which may have been ignored previously. The new system appeared more open.
- The previous Executive system had been in situ since 2000.

In response to questions and comments from the Committee, the Chief Executive confirmed:

- If any Councillors experienced problems or delays in obtaining information or answers from officers they should contact him direct. “Customer focus” was one of the Council’s objectives and hence any issues needed to be addressed. Talks had been taking place between the Senior Management Team in relation to customer focus.
- Approximately half of the Members were new to Local Government. They had brought enthusiasm to the role which had ‘rubbed off’ on others. The new Council was working particularly well together.
- An agreement had been made recently with the Lead Members to hold regular forums to discuss issues which affected Members and their wards.
- Councillors needed to work as a peer group and encourage and develop together as the system could only operate with the commitment from the Councillors.

RESOLVED that the update on Governance Arrangements be noted.

**51. 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 Internal Auditors were unable to attend so the Committee was advised of the following in relation to the Internal Audit Progress Report by the Head of Resources:

- Three of the audits which had been outstanding from the 2018/19 plan had now been issued as draft, with the others now in progress. The conclusion of the 2018/19 plan was expected in advance of the next meeting.
- The Crematorium 2018/19 report had now been issued. The report was included within the Internal Audit Progress Report.
- The Civil Contingencies Plan draft report had been issued. The team were now working on the management responses. The final report would be completed by the next meeting of the Governance Committee.
- The management responses to the Fraud, Bribery and Ethics National Fraud Initiative audit were ready to send to the Auditors.
- Progress on the 2019/20 plan had started this week with the works on the Main Accounting System and Budgetary Control. All other Audits had either been started, or had dates programmed.

In response to questions from the Chair, the Head of Resources, and the External Auditor, confirmed that:

- MAZARS would still be responsible for any outstanding 2018/19 audits. The reports for any outstanding audits at the start of the new financial year would be provided by MAZARS who would prepare the 2019/20 audit opinion.

- Internal and External audits would continue to meet in future, once DAP had taken on the internal audits.

RESOLVED that the Internal Audit Progress Report be noted.

**52. 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 report was the regular progress report which outlined the progress as at 12<sup>th</sup> December 2019.
- The three criteria for the Value for Money work were: informed decision making, sustainable resource deployment and working with partners and other third parties. Details of the initial risk assessment to determine Grant Thornton's approach would be included in their Audit Plan.
- Details of upcoming events were included. Invitations for the workshop event in Plymouth had been forwarded to the Head of Resources and other relevant officers.
- An increase in the complexity of Local Government financial transactions and financial reporting, along with the work undertaken in the 2018/19 audit had highlighted areas where financial reporting needed to improve. Grant Thornton were currently reviewing the impact of these changes on the costs and timings of audits.
- The fee for the certification of the Housing Benefit (Subsidy) Assurance Process (HBAP) claim was £24,823. This was the original fee, of £21,253, plus two additional sets of "40+" testing each at £1,785.
- A copy of the report sent to the Department for Works and Pensions (DWP) in relation to the HBAP.
- The details of the errors found during the Housing Benefit (HB) audit. These errors were of a small value which resulted in a total corresponding adjustment of £857 which was unlikely to result in any repayment of subsidy or further investigation.
- The report signposted an article written by Paul Dossett, Head of Local Government at Grant Thornton as to how local audit regime would remain sustainable and effective.
- An article from the Institute for Fiscal Studies on "English local government funding: trends and challenges in 2019 and beyond" included the website address to enable members to check the status of North Devon against other local authorities.

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

**53. 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 16 live recommendations.
- Table B confirmed that no further recommendations had been completed since the last meeting of the Committee.
- Table C detailed 2 recommendations for which time extensions were being requested. It was noted that Recommendation 17 RM&CG 02 required a short extension to allow for the report to be presented to the Policy and Development Committee prior to completion.
- Table D confirmed there were no outstanding Audit Recommendations.
- 14 AGS 02 (Table E) formed part of the works on Business Continuity and could not be finalised until those works had been completed.

RESOLVED that:

- (a) the actions completed since the 6th November 2019 Committee meeting be noted;
- (b) time extension be granted for those recommendations as listed in table C; and
- (c) the Audit Recommendation Tracker be noted.

#### **54. WORK PROGRAMME**

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

The Head of Resources advised the Committee that the item “Annual Review of the Committee’s Effectiveness” would be presented at the meeting in March 2020. This had been agreed with the Chair in order to allow additional time for the return of the questionnaires previously issued to the Committee members.

RESOLVED that Work Programme 2019/20 be noted.

Chairman

The meeting ended at 7.39 pm

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

**REPORT TO: GOVERNANCE COMMITTEE**

Date: 10<sup>th</sup> March 2020

**TOPIC: REVIEW OF TERMS OF REFERENCE**

**REPORT BY: MONITORING OFFICER**

## 1 INTRODUCTION

1.1 The Governance Committee is required to annually review the terms of reference under which it operates.

## 2 RECOMMENDATIONS

2.1 That Governance Committee make no changes to the terms of reference as set out in the Council's Constitution.

## 3 REASONS FOR RECOMMENDATIONS

3.1 The terms of reference do not require alteration.

## 4 REPORT

4.1 The current terms of reference are shown attached.

4.2 It is not considered that any changes are required at this point in time.

## 5 RESOURCE IMPLICATIONS

5.1 There are no resource issues.

## 6 EQUALITY and HUMAN RIGHTS

6.1 An EIA has not been completed as no equality issues are affected.

## 7 CONSTITUTIONAL CONTEXT

| Article and paragraph | Appendix and paragraph | Referred or delegated power? | A key decision? |
|-----------------------|------------------------|------------------------------|-----------------|
| Part 3, Annexe 1 (5)  |                        | Referred                     | No              |

## 8 BACKGROUND PAPERS

Background papers will be available for inspection and will be kept by the author of the report.

## 9 STATEMENT OF INTERNAL ADVICE

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

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Author: Trevor Blatchford

Date: 20<sup>th</sup> February 2020

Reference: Document1

## APPENDIX 1 CURRENT TERMS OF REFERENCE

### GOVERNANCE COMMITTEE

| Number of Members | Special Requirements  | Quorum  | Notes  |
|-------------------|---|---|--|
| 9                 | Membership of the Committee cannot include Strategy and Resources Members.<br><br>Members of the Committee must be trained prior to sitting on the Committee (NOTE: Failure to attend the required training will result in exclusion from sitting on the Committee) | 3 –<br>Provided at least two political groups are represented | The role of the Committee is to promote good behaviour amongst Councillors and to ensure that all business conducted by the Council is carried out within the law, in accordance with the Constitution and also in accordance with statutory Codes. It is also to promote improvement in governance issues |

- (a) Audit functions including receiving and considering reports and making recommendations on them
- (b) Risk management and corporate governance including considering reports from the Local Government Ombudsman.
- (c) Reviewing the annual statement of accounts
- (d) Standards function including dealing with complaints regarding Councillor conduct and the imposition of sanctions.
- (e) Electoral matters including Community Governance Reviews
- (f) Human Resources and Personnel matters including pensions issues



# Agenda Item 6

- (g) To hear any appeal in respect of any grievance or disciplinary decision taken by officers

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## **North Devon Council Governance Committee**

Date: March 2020

### **Half Yearly Report of the Chair of Governance Committee**

Since the election in May 2019 a new committee structure of the Council was introduced. The remit of the old Audit, Personnel and Ethics Committees are now combined into the Governance Committee.

The Audit Committee resolved in May 2014 that the Chair (of the now Governance Committee) would report half yearly to Council in March and September to highlight key issues that have arisen in the previous period.

The last report was presented in September 2019. Since then the Committee had met on 5<sup>th</sup> November 2019 and 7<sup>th</sup> January 2020.

### **North Devon Council Agenda Items**

#### **Driver and vehicle Licensing Agency (DVLA) Audit**

The Committee considered a letter from the Driver and Vehicle Licensing Agency in respect of the DVLA Audit of North Devon Council. The Head of Resources advised the Committee that the Audit had achieved a high level of compliance.

#### **21:21 Phase 2 report**

In November 2019 the Chief Executive provided the Committee with an update on the 21:21 project. He advised the Committee the 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.

#### **Business Continuity**

In January 2020, the Public Protection Officer and the Emergency Planning Officer provided an update on Business Continuity. They explained the need for business continuity plans and the reasoning for the procedures in place and confirmed that a corporate calendar was being created to set out the works required and schedule plan review dates and a schedule of training and exercises. The results of the testing of the Business Continuity plans and procedures would be included within the MAZARS Internal Audit Progress report.

#### **Asset Management Plan**

In January 2020, the Head of Resources provided an update on the Asset Management Plan, confirming:

- The value of the assets, as presented within the plan, were reported within the annual accounts.
- The Asset Management Plan identified the assets and enabled them to be monitored and assessed to ensure they were being fully utilised.
- The Asset System software package which was currently used to collate this information would be upgraded in 2020.
- The information summarised in the AMP would be used to identify any assets which could be disposed of, or better utilised. The AMP was used to record and assess long term liabilities and details of maintenance.

## **Update on Governance Arrangements**

In January 2020, the Chief Executive confirmed the following results from a recent questionnaire which had been sent to the NDC Councillors in relation to the governance arrangements currently in place:

- 11 responses had been received (of a total possible 42). This was 26%.
- Of those who responded, 6 were newly elected Councillors and 5 had been Councillors prior to the May 2019 election.
- When asked whether they felt engaged and involved in decision making, 73% had said yes, 27% no. This equated to 80% of the existing Councillors feeling involved, and 67% of the new Councillors.

He explained that he felt the responses were mainly positive but that there were a few comments which would need to be looked at in order to help anticipate further issues. There was mention of a feeling that officers were making decisions without consulting Members. Further engagement between officers, Members and Ward Members would need to be encouraged. The new model of operation had met the criteria of speeding up the processes and also, not to incur additional cost to the Local Authority. He did not feel that there would be any need to look at any further major changes to the new arrangements.

## **External and Internal Audit**

### **Provision of Internal Audit Services**

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. The recommendation was that the Council join the Devon Audit Partnership (DAP) as a partner with effect from 1<sup>st</sup> April 2020 for the provision of internal audit services. There would be a potential saving of £4,600 per annum on current costs. It was agreed to join the DAP as a partner from 1<sup>st</sup> April 2020 onwards.

## **Internal Audit Progress Report**

The Committee was advised of the following in relation to the Internal Audit Progress Report (as at November 2019):

- 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 18<sup>th</sup> Nov 2019 and Housing Benefits 2<sup>nd</sup> Dec 2019.

As at January 2020 the following updates were noted:

- Three of the audits which had been outstanding from the 2018/19 plan had now been issued as draft, with the others now in progress. The conclusion of the 2018/19 plan was expected in advance of the next meeting.
- The Crematorium 2018/19 report had now been issued.
- The Civil Contingencies Plan draft report had been issued.
- The management responses to the Fraud, Bribery and Ethics National Fraud Initiative audit were ready to send to the Auditors.
- Progress on the 2019/20 plan had started this week with the works on the Main Accounting System and Budgetary Control.
- All other Audits had either been started, or had dates programmed.

## **External Audit Progress Report and Sector Update**

The External Auditor advised of the following in relation to the External Audit Progress Report and Sector Update:

- The opinion on the 2018/19 accounts was issued on 31<sup>st</sup> 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 30<sup>th</sup> 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.

## **Audit Recommendation Tracker**

The Committee was advised in November that:

- An Outstanding recommendation in relation to risk registers which was being picked up as part of this year's service planning process.
- The recommendation on Table E could only be finalised once the final testing of the ICT Disaster Recovery Plan were completed.



**GOVERNANCE COMMITTEE**  
**QUESTIONNAIRE TO ASSESS**  
**EFFECTIVENESS OF THE GOVERNANCE**  
**COMMITTEE**

**GOVERNANCE COMMITTEE QUESTIONNAIRE 2019/20**

**5 Replies received**

| <b>ESTABLISHMENT, OPERATION AND DUTIES</b> |   |            |           |            |                        |
|--|---|------------|-----------|------------|------------------------|
| <b>Role and remit</b>                      |   |            |           |            |                        |
| <b>Priority</b>                            | <b>Issue</b>  | <b>Yes</b> | <b>No</b> | <b>N/A</b> | <b>Comments/action</b> |
| 1  | Does the Governance Committee have written terms of reference?  | 5          |           |            |                        |
| 1  | Do the terms of reference cover the core functions of a Governance committee as identified in the CIPFA guidance?                                 | 5          |           |            |                        |
| 1  | Are the terms of reference approved by the council and reviewed periodically?   | 5          |           |            |                        |
| 1  | Has the Governance Committee been provided with sufficient membership, authority and resources to perform its role effectively and independently? | 5          |           |            |                        |
| 1  | Can the Governance Committee access other committees and full council as necessary?   | 5          |           |            |                        |
| 1  | Does the authority's statement on internal control include a description of the Governance committee's establishment and activities?              | 5          |           |            |                        |

| <b>ESTABLISHMENT, OPERATION AND DUTIES</b> |  |            |           |            |                                |
|--|--|------------|-----------|------------|--------------------------------|
| <b>Role and remit</b>                      |  |            |           |            |                                |
| <b>Priority</b>                            | <b>Issue</b>   | <b>Yes</b> | <b>No</b> | <b>N/A</b> | <b>Comments/action</b>         |
| 2  | Does the Governance committee periodically assess its own effectiveness?   | 4          | 1         |            | Via Work plan                  |
| 2  | Does the Governance committee make a formal annual report on its work and performance during the year to full council?   | 3          |           |            | Assume so<br>Do we<br>½ yearly |
| <b>Membership, induction and training</b>  |  |            |           |            |                                |
| 1  | Has the membership of the Governance committee been formally agreed and a quorum set?  | 5          |           |            |                                |
| 1  | Is the chair independent of the executive function?  | 5          |           |            |                                |
| 1  | Has the Governance Committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime? | 3          |           |            | Don't know<br>Don't know       |
| 1  | Are new Governance Committee members provided with an appropriate induction?   | 4          | 1         |            | As needed- check new members   |
| 1  | Have all members' skills and experiences been assessed and training given for identified gaps?   | 3          | 1         |            | Not to my knowledge            |
| 1  | Has each member declared his or her business interests?  | 5          |           |            |                                |
| 2  | Are members sufficiently independent of the other key committees of the council?   | 5          |           |            |                                |
| <b>Meetings</b>                            |  |            |           |            |                                |
| 1  | Does the Governance Committee meet   | 5          |           |            |                                |



# Agenda Item 8

|  |            |  |  |  |  |
|--|------------|--|--|--|--|
|  | regularly? |  |  |  |  |
|--|------------|--|--|--|--|

| ESTABLISHMENT, OPERATION AND DUTIES |   |     |    |     |                 |
|-------------------------------------|---|-----|----|-----|-----------------|
| Role and remit                      |   |     |    |     |                 |
| Priority                            | Issue   | Yes | No | N/A | Comments/action |
| 1                                   | Do the terms of reference set out the frequency of meetings?  | 4   |    |     | Don't know      |
| 1                                   | Does the Governance Committee calendar meet the authority's business needs, governance needs and the financial calendar?  | 4   |    |     | Don't know      |
| 1                                   | Are members attending meetings on a regular basis and if not, is appropriate action taken?  | 4   | 1  |     | Not all         |
| 1                                   | Are meetings free and open without political influences being displayed?  | 5   |    |     |                 |
| 1                                   | Does the authority's S151 officer or deputy attend all meetings?  | 5   |    |     |                 |
| 1                                   | Does the Governance Committee have the benefit of attendance of appropriate officers at its meetings?   | 5   |    |     |                 |
| INTERNAL CONTROL                    |   |     |    |     |                 |
| 1                                   | Does the Governance Committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit | 5   |    |     |                 |
| 1                                   | Does the Governance Committee have responsibility for review and approval of the SIC and does it consider it  | 5   |    |     |                 |

# Agenda Item 8

|  |                               |  |  |  |  |
|--|-------------------------------|--|--|--|--|
|  | separately from the accounts? |  |  |  |  |
|--|-------------------------------|--|--|--|--|

| ESTABLISHMENT, OPERATION AND DUTIES |  |     |    |     |                                 |
|-------------------------------------|--|-----|----|-----|---------------------------------|
| Role and remit                      |  |     |    |     |                                 |
| Priority                            | Issue  | Yes | No | N/A | Comments/action                 |
| 1                                   | Does the Governance Committee consider how meaningful the Annual Governance Statement is?  | 5   |    |     |                                 |
| 1                                   | Does the Governance committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?                       | 5   |    |     |                                 |
| 1                                   | Has the Governance Committee considered how it integrates with other committees that may have responsibility for risk management?                                | 4   | 1  |     | Maybe this could be done better |
| 1                                   | Has the Governance Committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?" | 5   |    |     |                                 |
| 1                                   | Does the Governance Committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?   | 5   |    |     |                                 |
| 2                                   | Is the Governance Committee made aware of the role of risk management in the preparation of the internal Audit plan?   | 5   |    |     |                                 |
| 2                                   | Does the Governance Committee review the authority's strategic risk register at least annually?  | 5   |    |     |                                 |

| <b>ESTABLISHMENT, OPERATION AND DUTIES</b>        |   |            |           |            |   |
|---|---|------------|-----------|------------|---|
| <b>Role and remit</b>                             |   |            |           |            |   |
| <b>Priority</b>                                   | <b>Issue</b>  | <b>Yes</b> | <b>No</b> | <b>N/A</b> | <b>Comments/action</b>                  |
| 2   | Does the Governance Committee monitor how the authority assesses its risk?  | 5          |           |            | I would like to see the risk assessment |
| 2   | Do the Governance Committee's terms of reference include oversight of the risk management process?  | 5          |           |            |   |
| <b>FINANCIAL REPORTING AND REGULATORY MATTERS</b> |   |            |           |            |   |
| 1   | Is the Governance Committee's role in the consideration and/or approval of the annual accounts clearly defined?   | 5          |           |            |   |
| 1   | Does the Governance Committee consider specifically: • the suitability of accounting policies and treatments • major judgments made • large write-offs • changes in accounting treatment • the reasonableness of accounting estimates the narrative aspects of reporting? | 5          |           |            |   |
| 1   | Is a Governance Committee meeting scheduled to receive the external Auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the Governance?  | 5          |           |            |   |
| 1   | Does the Governance Committee review management's letter of representation?   | 4          |           |            | Don't know                              |

# Agenda Item 8

|   |   |   |  |  |  |
|---|---|---|--|--|--|
| 2 | Does the Governance Committee annually review the accounting policies of the authority? | 4 |  |  |  |
|---|---|---|--|--|--|

| ESTABLISHMENT, OPERATION AND DUTIES |   |     |    |     |                 |
|-------------------------------------|---|-----|----|-----|-----------------|
| Role and remit                      |   |     |    |     |                 |
| Priority                            | Issue   | Yes | No | N/A | Comments/action |
| 2                                   | Does the Governance Committee gain an understanding of management's procedures for preparing the authority's annual accounts?   | 3   | 1  |     |                 |
| 2                                   | Does the Governance Committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?  | 3   | 1  |     |                 |
| INTERNAL GOVERNANCE                 |   |     |    |     |                 |
| 1                                   | Does the Governance Committee approve, annually and in detail, the internal Governance strategic and annual plans including consideration of whether the scope of internal Governance work addresses the authority's significant risks? | 3   |    |     | ?               |
| 1                                   | Does internal Audit have an appropriate reporting line to the Governance committee?   | 4   |    |     |                 |
| 1                                   | Does the Governance Committee receive periodic reports from the internal Governance service including an annual report from the Head of Internal Audit?   | 4   |    |     |                 |
| 1                                   | Are follow-up audits by internal audit monitored by   | 4   |    |     |                 |

# Agenda Item 8

|  |   |  |  |  |  |
|--|---|--|--|--|--|
|  | the Governance Committee and does the committee consider the adequacy of implementation of recommendations? |  |  |  |  |
|--|---|--|--|--|--|

| ESTABLISHMENT, OPERATION AND DUTIES |   |     |    |     |   |
|-------------------------------------|---|-----|----|-----|---|
| Role and remit                      |   |     |    |     |   |
| Priority                            | Issue   | Yes | No | N/A | Comments/action                           |
| 1                                   | Does the Governance Committee hold periodic private discussions with the Head of Internal Audit?  | 1   | 2  |     | Not sure<br>If requested                  |
| 1                                   | Is there appropriate cooperation between the internal and external Auditors?  | 4   |    |     |   |
| 1                                   | Does the Governance committee review the adequacy of internal audit staffing and other resources?   | 4   |    |     | We are changing Internal Auditors in 2020 |
| 1                                   | Has the Governance committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal Governance in Local Government in the United Kingdom? | 3   | 1  |     |   |
| 2                                   | Are internal Audit performance measures monitored by the Governance committee?  | 4   |    |     |   |
| 2                                   | Has the Governance committee considered the information it wishes to receive from internal audit?   | 3   | 1  |     |   |
| EXTERNAL GOVERNANCE                 |   |     |    |     |   |
| 1                                   | Do the external Auditors present and discuss their Governance plans and strategy with the   | 5   |    |     |   |

# Agenda Item 8

|   |  |   |   |  |                            |
|---|--|---|---|--|----------------------------|
|   | Governance committee (recognizing the statutory duties of external Audit)?                 |   |   |  |                            |
| 1 | Does the Governance Committee hold periodic private discussions with the external Auditor? | 1 | 1 |  | Not so far<br>As requested |

| ESTABLISHMENT, OPERATION AND DUTIES |   |     |    |     |                 |
|-------------------------------------|---|-----|----|-----|-----------------|
| Role and remit                      |   |     |    |     |                 |
| Priority                            | Issue   | Yes | No | N/A | Comments/action |
| 1                                   | Does the Governance Committee review the external Auditor's annual report to those charged with governance?   | 4   | 1  |     | Not sure        |
| 1                                   | Does the Governance Committee ensure that officers are monitoring action taken to implement external audit recommendations?                           | 5   |    |     |                 |
| 1                                   | Are reports on the work of external audit and other inspection agencies presented to the committee, including the annual audit and inspection letter? | 5   |    |     |                 |
| 1                                   | Does the Governance Committee assess the performance of external audit?   | 2   | 1  |     | Not sure        |
| 1                                   | Does the Governance Committee consider and approve the external Governance fee?   | 4   |    |     | ?               |
| ADMINISTRATION                      |   |     |    |     |                 |
| Agenda management                   |   |     |    |     |                 |
| 1                                   | Does the Governance committee have a designated clerk from Corporate and Community Services?  | 4   |    |     |                 |

# Agenda Item 8

|   |  |   |  |  |                 |
|---|--|---|--|--|-----------------|
| 1 | Are agenda papers circulated in advance of meetings to allow adequate preparation by Governance committee members? | 5 |  |  |                 |
| 2 | Are outline agendas planned one year ahead to cover issues on a cyclical basis?                                    | 3 |  |  | ?<br>Don't know |

| ESTABLISHMENT, OPERATION AND DUTIES |  |     |    |     |                 |
|-------------------------------------|--|-----|----|-----|-----------------|
| Role and remit                      |  |     |    |     |                 |
| Priority                            | Issue  | Yes | No | N/A | Comments/action |
| 2                                   | Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external Governance? | 3   | 1  |     | Don't know      |
| Papers                              |  |     |    |     |                 |
| 1                                   | Do reports to the Governance Committee communicate relevant information at the right frequency, time, and in a format that is effective?     | 5   |    |     |                 |
| 2                                   | Does the Governance Committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?            | 4   |    |     | Don't know      |
| Actions arising                     |  |     |    |     |                 |
| 1                                   | Are minutes prepared and circulated promptly to the appropriate people?  | 5   |    |     |                 |
| 1                                   | Is a report on matters arising made and minuted at the Governance committee's next meeting?  | 5   |    |     |                 |
| 1                                   | Do action points indicate who is to perform what and by when?  | 4   |    |     | ?               |

| OVERALL AIMS   |   |
|--|---|
| Issue  | Comments  |
| Please give details of any strategic or wide-ranging issues which the Governance Committee has considered in the past. | This is the overall function of the Governance Committee<br>Cannot answer as only been on Committee 8 months<br>Difficult to comment as Committee's first year                        |
| Please give details of any strategic or wide-ranging issues which the Governance Committee should consider.            | Overspend in W&R<br>Covers all Council business already<br>Recent changes from Executive to Committee structure need to be reviewed<br>Difficult to comment as Committee's first year |
| How do you think the Committee could tackle the problems?  | Difficult to comment as Committee's first year  |
| How do you feel the Governance Committee has made a difference (to any issues)?  | It audits/signs off the works of those doing the audits<br>Difficult to comment as Committee's first year<br><br>Not known  |
| Are there any areas in which you believe the Committee has failed to deliver?  | No<br>None I am aware of<br>No<br>Difficult to comment as Committee's first year  |
| How could this have been resolved or improved?   | Difficult to comment as Committee's first year  |
| How would you improve the Committee and its work?  | Not been a member long enough to comment<br>I do not know enough to comment<br>Difficult to comment as Committee's first year   |





## North Devon District Council Internal Audit Progress Report

March 2020

### 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 January 2020 for North Devon District Council.

## 2. COMPLETION OF THE INTERNAL AUDIT PLAN

- 2.1 Appendix I details the 2018/19 Operational Internal Audit Plan (2018/19 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                 | 13 | 76.5% |
| Number of audits issued at draft           | 4  | 23.5% |
| Number of audits in progress               | 0  |       |
| Number of audits with agreed planned dates | 0  |       |
| Number of audits to be planned             | 0  |       |

Appendix II details the 2019/20 Operational Internal Audit Plan (2019/20 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                   | 18 |      |
| Number of audits finalised                 | 1  | 5.5% |
| Number of audits issued at draft           | 2  | 11%  |
| Number of audits in progress               | 6  | 39%  |
| Number of audits with agreed planned dates | 1  |      |
| Number of audits to be planned             | 8  |      |

- 2.2 We can report that based on the number of days in the plans (excluding contingency) as at 31 December 2019, 100% of the 2018/19 Plan has been completed and 55.5% of the 2019/20 Plan has been completed. Extra resources have been programmed in to support completion of the 2019/20 Plan.

- 2.3 We have issued two final reports since the last Committee meeting:

|   |
|---|
| <p>Business Continuity 2018/19</p> <p>Treasury Management 2019/20</p> |
|---|

- 2.4 Appendix III and IV details the 2018/19 and 2019/20 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 three priority one recommendations to bring to the attention of the Governance Committee. These are all within the Business Continuity Report 2018/19 with details in Appendix III of this report.

## 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)<br>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)<br>5=Very good; 4=Good; 3=Satisfactory; 2=Poor; 1= Very poor | 4       | n/a*         |

## 3. Action Required

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

## Appendix I – Progress against the 2018/19 Plan

|     | 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                 | <b>Substantial</b>                   | <b>0</b>             | <b>1</b>             | <b>2</b>             | Final Report 21 August 2019.                                    |
| 2.  | Main Accounting System and Budgetary Control         | Q3               | 12           | High                   | <b>Substantial</b>                   | <b>0</b>             | <b>0</b>             | <b>1</b>             | Final Report 5 March 2019.                                      |
| 3.  | Creditors  | Q3               | 10           | Medium                 | <b>Substantial</b>                   | <b>0</b>             | <b>1</b>             | <b>2</b>             | Final Report 16 August 2018.                                    |
| 4.  | Payroll  | Q1               | 10           | Medium                 | <b>Substantial</b>                   | <b>0</b>             | <b>0</b>             | <b>1</b>             | Final Report 16 <sup>th</sup> August 2018                       |
| 5.  | Cash Collection                                      | Q2               | 8            | Medium                 | <b>Substantial</b>                   | <b>0</b>             | <b>0</b>             | <b>1</b>             | Final Report 13 December 2018.                                  |
| 6.  | Council Tax and NNDR (including NNDR maximisation)   | Q3               | 15           | Medium                 | <b>Substantial</b>                   | <b>0</b>             | <b>0</b>             | <b>1</b>             | Final Report 8 January 2019.                                    |
| 7.  | Housing Benefits                                     | Q1               | 10           | Medium                 | <b>Substantial</b>                   | <b>0</b>             | <b>0</b>             | <b>1</b>             | Final Report 12 December 2018.                                  |
| 8.  | Efficiency savings                                   | Q2               | 10           | Medium                 | <b>Full</b>                          | <b>0</b>             | <b>0</b>             | <b>0</b>             | Final Report 23 August 2019.                                    |
| 9.  | Waste Management (Refuse and Recycling)              | Q3               | 10           | Medium                 |                                      |                      |                      |                      | Draft Report issued 3 October 2019.                             |
| 10. | Regeneration Projects                                | Q1               | 10           | Medium                 |                                      |                      |                      |                      | Draft Report issued 29 <sup>th</sup> January 2020               |
| 11. | Business Continuity                                  | Q2               | 10           | High                   | <b>Nil</b>                           | <b>3</b>             | <b>1</b>             | <b>0</b>             | Final Report issued 20 <sup>th</sup> February 2020              |
| 12. | Civil Contingencies Plan                             | Q1               | 10           | High                   |                                      |                      |                      |                      | Draft Report issued 13 December 2019                            |
| 13. | IT Audits:<br>- GDPR<br>- Email Exchange             | Q4               | 11<br>11     | High                   | <b>Substantial</b><br><b>Limited</b> | <b>0</b><br><b>0</b> | <b>1</b><br><b>3</b> | <b>5</b><br><b>1</b> | Final Report 19 February 2019.<br>Final Report 24 January 2019. |
| 14. | Fraud, Bribery & Ethics<br>National Fraud Initiative | Q2               | 8            | Low                    |                                      |                      |                      |                      | Draft Report issued 13 December 2019                            |

|     | Audit Title      | Proposed Quarter | Planned Days | Anticipated Risk Level | Assurance          | Priority One | Priority Two | Priority Three | Status                                       |
|-----|------------------|------------------|--------------|------------------------|--------------------|--------------|--------------|----------------|--|
| 15. | VAT              | Q1               | 10           | Low                    | <b>Substantial</b> | <b>0</b>     | <b>0</b>     | <b>1</b>       | Final Report 9 October 2019.                 |
| 16. | Crematorium      | Q4               | 3            | Low                    | <b>Full</b>        | <b>0</b>     | <b>0</b>     | <b>0</b>       | Final Report 22 October 2019.                |
| 17. | Follow Up        | Q4               | 10           | N/A                    |                    | <b>0</b>     | <b>0</b>     | <b>0</b>       | Final Report 22 August 2019.                 |
| 18. | Contingency      | N/A              | 20           | N/A                    |                    |              |              |                | 20 days utilised for waste management review |
| 19. | Audit Management | N/A              | 22           | N/A                    |                    |              |              |                |  |
|     | <b>Total</b>     |                  | <b>220</b>   |                        |                    | <b>3</b>     | <b>16</b>    | <b>17</b>      |  |

## Appendix II – Progress against the 2019/20 Plan

|     | 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 review.       |
| 2.  | Main Accounting System and Budgetary Control       | Q3               | 12           | High                   |             |              |              |                | Fieldwork completed, draft report in progress.     |
| 3.  | Debtors  | Q1               | 8            | Medium                 |             |              |              |                | Draft Report issued 11 <sup>th</sup> February 2020 |
| 4.  | Payroll  | Q1               | 10           | Medium                 |             |              |              |                | Fieldwork completed, draft report in progress.     |
| 5.  | Treasury Management                                | Q1               | 8            | Medium                 | <b>Full</b> | <b>0</b>     | <b>0</b>     | <b>0</b>       | Final Report 11 <sup>th</sup> February 2020        |
| 6.  | Council Tax and NNDR (including NNDR maximisation) | Q2               | 15           | Medium                 |             |              |              |                | Draft Report issued 17 <sup>th</sup> February 2020 |
| 7.  | Housing Benefits                                   | Q2               | 10           | Medium                 |             |              |              |                | Fieldwork completed, draft report in progress.     |
| 8.  | Human Resources                                    | Q3               | 10           | Medium                 |             |              |              |                | Terms of reference drafted.                        |
| 9.  | Housing Needs                                      | Q3               | 10           | Medium                 |             |              |              |                | Terms of reference drafted.                        |
| 10. | New Housing Schemes                                | Q2               | 10           | Medium                 |             |              |              |                | Fieldwork to commence 9 <sup>th</sup> March 2020   |
| 11. | Building Control                                   | Q3               | 10           | Medium                 |             |              |              |                | Terms of reference drafted.                        |
| 12. | IT Audit   | Q4               | 22           | High                   |             |              |              |                |  |
| 13. | CCTV   | Q4               | 8            | Medium                 |             |              |              |                | Terms of reference drafted.                        |
| 14. | Contracts and Capital Expenditure                  | Q3               | 10           | High                   |             |              |              |                | Terms of reference drafted.                        |
| 15. | Performance Management                             | Q4               | 10           | Medium                 |             |              |              |                | Terms of reference drafted.                        |

|     | Audit Title      | Proposed Quarter | Planned Days | Anticipated Risk Level | Assurance | Priority One | Priority Two | Priority Three | Status                      |
|-----|------------------|------------------|--------------|------------------------|-----------|--------------|--------------|----------------|-----------------------------|
| 16. | Safeguarding     | Q3               | 8            | Low                    |           |              |              |                | Terms of reference drafted. |
| 17. | Crematorium      | Q4               | 3            | Low                    |           |              |              |                | Fieldwork in progress.      |
| 18. | Follow Up        | Q4               | 10           | N/A                    |           |              |              |                | Fieldwork in progress.      |
| 20. | Audit Management | N/A              | 22           | N/A                    |           |              |              |                | Ongoing over Plan period.   |
|     | <b>Total</b>     |                  | <b>206</b>   |                        |           | <b>0</b>     | <b>0</b>     | <b>0</b>       |                             |



## Appendix III – Internal Audit Recommendations 2018/19

### Business Continuity

Nil Assurance



#### Scope

The audit covered the following areas:

- Business Continuity Plan, policy and arrangements;
- Individual Business Resumption Plan, including:
  - Identification of key resources;
  - Minimisation of loss of use of facilities;
  - Clarity of levels of interim service;
  - Definition of resumption of service times;
  - Process for the diverting of telephone calls and mail;
  - Access to alternative facilities;
  - Access to contractor and supplier information;
  - Access to property details;
  - Robust testing regime;
  - Business Impact Analysis;
- Impact of Business Resumption Plans upon the Council's IT Disaster Recovery Plan.

Three priority one and one priority 2 recommendations were raised

**Priority 1 - Update of the Business Continuity Policy and Plan**

| Recommendation   | Rationale   | Management Response   |
|--|---|---|
| <p>The BCM Policy and BCIM Plan should be reviewed and updated to reflect current Council requirements.</p> <p>Such policies and plans should then be reviewed and updated on an annual basis.</p> | <p>The periodic and regular review and update of all policies and plans will help to ensure these remain relevant to the needs of the Council.</p> <p>Examination of the BCM Policy and BCIM Plan identified that both were dated July 2016 and that there was a requirement to review both in June 2017. No evidence of any review was evident.</p> <p>Where policies and plans are not reviewed and updated, there is an increased risk that such policies and plans become out of date, and do not provide effective assistance in the management of and recovery from any business continuity incident.</p> | <p>Subsequent to this recommendation, resources have been acquired in respect of business continuity, namely the appointment of a new Emergency Planning Officer, Alex Miles as of 25 November 2019. This recommendation is agreed, and works will be undertaken to update the Business Continuity Management Policy (BCM) and the Business Continuity Incident Management Plan (BCIMP) prior to 31 March 2021.</p> |

**Priority 1 - Update of Service Resumption Plans**

| Recommendation  | Rationale  | Management Response  |
|---|--|--|
| <p>All Service Resumption Plans should be reviewed on at least an annual basis and the updated plans submitted to the Public Protection Manager for review.</p> <p>Where the Public Protection Manager has not received a reviewed plan, this should be raised with the relevant Head of Service, and the Head of Environmental Health &amp; Housing.</p> | <p>The periodic and regular review of Service Resumption Plans will help to ensure the plans remain up to date and relevant for the needs of the Council and individual services.</p> <p>The 11 Service Resumption Plans were all dated from 2016 with a requirement for review in 2017 but no such review was evident.</p> <p>Where plans are not regularly reviewed and updated, there is an increased risk that plans become out of date and do not provide effective assistance in the management of and recovery from any business continuity incident.</p> | <p>This recommendation is agreed, in light of the volume of plans, it is envisaged that works will be undertaken prior to 31 March 2021.</p> |

**Priority 1 - Testing of Service Resumption Plans**

| Recommendation   | Rationale   | Management Response   |
|--|---|---|
| <p>A test of each Service Resumption Plan should be undertaken at least on at least an annual basis. On completion of the test a lessons learnt report should be employed to update the plan.</p> <p>All such documentation should be retained in Resilience Direct.</p> | <p>The BCM Policy contains a requirement that all Service Resumption Plans are tested in 2016/17 quarters three and four. This may be carried out through desktop reviews, review of real life incidents, scenario testing. Following testing the Resumption Plans should be updated.</p> <p>Examination of the Service Resumption Plans confirmed that these had not been reviewed or updated to include any findings from any test, not do these record a test as having been completed. There were no records of tests / exercises on Resilience Direct.</p> <p>Where plans are not tested and updated, there is an increased risk that weaknesses exist in the plan and are not identified and rectified. This may undermine the effective management of any actual business continuity incident.</p> | <p>This recommendation is agreed. In light of the proposed compliance date for the plans being completed in Recommendation 3, it is suggested that a date of 31 December 2021 would be an appropriate time-frame for completion. A corporate calendar is in the process of being completed which will encompass review and testing schedules for business continuity plans.</p> |

**Priority 2 - Resilience Direct – User Access**

| Recommendation  | Rationale  | Management Response  |
|---|--|--|
| <p>Resilience Direct users should be reviewed and updated to ensure all are still current and appropriate. Further review and update should then be effected on a periodic basis.</p> | <p>Maintaining up to date user access to Resilience Direct will assist management to ensure that staff responsible for business continuity have access to the information they need in the event of an incident.</p> <p>It was established that there are 14 users with access to NDC Resilience Direct and discrepancies between those with access and those identified as owners of Service Resumption Plans were noted. We particularly noted:-</p> <ul style="list-style-type: none"> <li>• No access for the <ul style="list-style-type: none"> <li>○ Ilfracombe Harbour Master (current or previous officer),</li> <li>○ Building Control Manager,</li> <li>○ Elections Manager, Estates Officer,</li> <li>○ Head of Legal Services, now the chief Executive; and</li> </ul> </li> <li>• Access for the former Chief Executive.</li> </ul> <p>Where user access levels are not reviewed and updated, there is an increased risk that officers with responsibility for services cannot access the necessary business continuity documentation in the event of an incident. The management of and recovery from any such incident may then be impacted upon.</p> | <p>This recommendation is agreed, albeit our new Emergency Planning Officer has now gained access to Resilience Direct, and has made amendments to the system to remove those individuals who no longer require access. The Building Control Manager has been added in respect of Building Control, and the Harbour Master has also now been added. The Head of Resources has confirmed that he will cascade any relevant information to estates, and the Chief Executive now has access to Resilience Direct and will confirm who will be responsible for elections</p> |

**Priority 2 - Update of Service Resumption Plans**

| Recommendation  | Rationale  | Management Response  |
|---|--|--|
| <p>All Service Resumption Plans should be reviewed on at least an annual basis and the updated plans submitted to the Public Protection Manager for review.</p> <p>Where the Public Protection Manager has not received a reviewed plan, this should be raised with the relevant Head of Service, and the Head of Environmental Health &amp; Housing.</p> | <p>The periodic and regular review of Service Resumption Plans will help to ensure the plans remain up to date and relevant for the needs of the Council and individual services.</p> <p>The 11 Service Resumption Plans were all dated from 2016 with a requirement for review in 2017 but no such review was evident.</p> <p>Where plans are not regularly reviewed and updated, there is an increased risk that plans become out of date and do not provide effective assistance in the management of and recovery from any business continuity incident.</p> | <p>This recommendation is agreed, in light of the volume of plans, it is envisaged that works will be undertaken prior to 31 March 2021.</p> |

## Appendix IV – Internal Audit Recommendations 2019/20

### Treasury Management

Full Assurance



#### Scope

The audit covered the following areas:

- Policies and procedures including the Treasury Management Strategy and Policy;
- Levels, limits and institutions that can be dealt with for both lending and borrowing are clearly stated;
- Contracts/service agreements with investment managers and brokers;
- Authorisation limits to borrow and lend;
- Cash flow monitoring, maximising and forecasting; and
- Monitoring and Reporting of performance.

**No recommendations were raised**

## Appendix V - 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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. 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 by any third party is entirely at their own risk.

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# North Devon Council Internal Audit Plan 2020/21

| Ref | Audit Title                                | Corporate Risk Register   | 2020 / 2021 | Potential Scope – Each audit will be scoped and agreed in advance. The audit may cover the following areas:  |
|-----|--|---|-------------|--|
| 1   | Risk Management and Corporate Governance   | Medium<br>Internal Audit standards require regular review of arrangements   | 10          | <ul style="list-style-type: none"> <li>• Strategy</li> <li>• Risk identification and assessment;</li> <li>• Control / mitigation strategies;</li> <li>• Roles and responsibilities;</li> <li>• Decision making;</li> <li>• Monitoring and reporting;</li> <li>• Department Risk Management; and</li> <li>• Compliance with best practice.</li> </ul>   |
| 2   | Main Accounting System & Budgetary Control | Medium<br>Risk F CRR 00<br><b>A lack of clear direction in relation to significant budgetary challenges</b><br>F CRR 03<br><b>Inadequate financial control in any service area.</b> | 12          | <ul style="list-style-type: none"> <li>• Medium &amp; Long Term Financial Strategies</li> <li>• Policies, procedures, standing orders and financial regulations, including staff awareness;</li> <li>• Budget setting and monitoring;</li> <li>• Variance reporting;</li> <li>• Virements and journal transfers;</li> <li>• Budget Management Training;</li> <li>• Compilation of monthly financial reports and quarterly performance &amp; financial reporting to the Executive/Council.</li> </ul> |
| 3   | Creditors (including ordering processes)   | Medium<br>Based on volume and value of transactions   | 10          | <ul style="list-style-type: none"> <li>• Policies and procedures;</li> <li>• Authorisation procedures (orders and payments);</li> <li>• Goods / services receipting;</li> <li>• Manual payments;</li> <li>• Supplier accounts</li> </ul> <p>IDEA can be used to analyse the whole creditors file to identify transactions that require further examination.</p>  |
| 5   | Payroll                                    | Medium<br>Based on our audit work   | 14          | <ul style="list-style-type: none"> <li>• Security of, and access to, IT Systems;</li> <li>• Authorisation procedures;</li> <li>• Reconciliations;</li> <li>• Starters, Leavers and Variations;</li> <li>• Temporary payments (overtime, travel &amp; subsistence etc).</li> <li>• Statutory and voluntary deductions;</li> <li>• Overpayments; and</li> <li>• Management information</li> </ul>  |
| 6   | Cash Collection                            | Medium<br>Based on our audit work   | 4           | <ul style="list-style-type: none"> <li>• Collection and recording of payments;</li> <li>• Banking;</li> <li>• Reconciliations;</li> <li>• Suspense accounts; and</li> <li>• Security</li> </ul>  |

| Ref | Audit Title             | Corporate Risk Register                                 | 2020 / 2021 | Potential Scope – Each audit will be scoped and agreed in advance. The audit may cover the following areas:  |
|-----|-------------------------|---|-------------|--|
| 8   | Council Tax & NNDR      | Medium<br>Based volume and value of transactions        | 10          | <ul style="list-style-type: none"> <li>• Policies and procedures;</li> <li>• methods of payment;</li> <li>• Billing and receipts;</li> <li>• Clearance from suspense accounts;</li> <li>• Recovery action;</li> <li>• Writing off irrecoverable income;</li> <li>• Monitoring collection rates;</li> <li>• Reconciliation with general ledger;</li> <li>• Refunds and void allowance;</li> <li>• IT security and access</li> </ul> <p>IDEA can be used to analyse transactions for fraud etc..</p>   |
| 9   | Housing Benefits        | Medium<br>Based on volume and complexity in the process | 15          | <ul style="list-style-type: none"> <li>• Policies and procedures, including adherence to legislation, financial regulations and local policy;</li> <li>• Segregation of duties, to include conflicts of interest;</li> <li>• Compliance with the current scheme of operation;</li> <li>• Timeliness and accuracy of assessments, amendments, back dated claims, payments and cancellations;</li> <li>• Management of overpayments and recovery</li> <li>• Reliability of records (paper and electronic) and protection against loss and unauthorised access;</li> <li>• Accuracy and timeliness of performance monitoring;</li> <li>• Reconciliations;</li> <li>• Complaints;</li> </ul> |
| 16  | Regeneration Projects   | Medium  | 8           | <ul style="list-style-type: none"> <li>• Strategy and approval of projects;</li> <li>• Review of the arrangements between North Devon and the Council for joint funding;</li> <li>• Expenditure arrangements and pooled budgets</li> </ul>   |
| 17  | Parking Operations      | Low<br>Based on volume and complexity                   | 8           | <ul style="list-style-type: none"> <li>• Policies and procedures;</li> <li>• Contract arrangements;</li> <li>• Contract monitoring procedures;</li> <li>• Receipt of income;</li> <li>• Issue of visitor / season passes;</li> <li>• Payments, including contractor payments as applicable;</li> <li>• Budget monitoring;</li> <li>• Management information</li> </ul>   |
| 22  | Customer Service Centre | Medium<br>Based on our audit work                       | 8           | <ul style="list-style-type: none"> <li>• Policies and procedures;</li> <li>• Service provision;</li> <li>• Staff training;</li> <li>• Management arrangements for moved services;</li> <li>• Workflow between front and back office processes;</li> <li>• Collection and recording of payments;</li> </ul>   |

| Ref | Audit Title   | Corporate Risk Register   | 2020 / 2021 | Potential Scope – Each audit will be scoped and agreed in advance. The audit may cover the following areas:  |
|-----|---|---|-------------|--|
|     |   |   |             | <ul style="list-style-type: none"> <li>• Communication and focal;</li> <li>• IT systems security and access;</li> <li>• Performance monitoring, reporting and customer satisfaction</li> </ul>   |
| 25  | Health & Safety   | <p>Medium</p> <p><b>Risk G CRR 08</b></p> <p><b>Health &amp; Safety</b></p>                         | 7           | <ul style="list-style-type: none"> <li>• Policies and procedures notes;</li> <li>• Fire, security and evacuation procedures</li> <li>• Council wide risk assessments;</li> <li>• Departmental risks assessments (including workstation assessments)</li> <li>• Governance including reporting arrangements</li> <li>• Risk of fire in the process hall</li> </ul>  |
| 28  | Information Technology Audit  | <p>High</p> <p>G CRR 01</p> <p>Cyber attack / computer virus may infect the ICT infrastructure</p>  | 22          | <p>An Audit Needs Assessment to be fully updated and agreed with Management. These could cover key areas including:</p> <ul style="list-style-type: none"> <li>• IT Security;</li> <li>• Network security;</li> <li>• IT Strategy;</li> <li>• IT disaster recovery application systems;</li> <li>• Internet and email exchange</li> <li>• Physical security of premises</li> <li>• GDPR / DPA 2018</li> </ul>  |
| 30  | <p>Fraud, Bribery &amp; Ethics</p> <p>National Fraud Initiative</p> | <p>Low</p> <p><b>Risk G CRR 36</b></p>  | 7           | <ul style="list-style-type: none"> <li>• Fraud risk governance, including legislative requirement, policies and guidance;</li> <li>• Fraud and bribery risk assessment;</li> <li>• Fraud and bribery awareness and training;</li> <li>• Examine key fraud risks</li> <li>• Investigation processes, including Human Resource cases;</li> <li>• Management information, including monitoring, means of escalation and reporting;</li> <li>• Biannual monitoring of the NFI</li> </ul> |
| 32  | Crematorium Undertaken in May of the following year                 | <p>Low</p> <p>Annual requirement</p> <p>Delivered jointly with Torridge DC</p>                      | 3           | <ul style="list-style-type: none"> <li>• Appropriate accounting records;</li> <li>• Financial regulations;</li> <li>• Risk assessment;</li> <li>• Income;</li> <li>• Petty cash payments;</li> <li>• Salaries;</li> <li>• Asset and investment registers;</li> <li>• Bank account reconciliations</li> </ul>   |
| 33  | Transformation Programme  | <p>Medium</p> <p>R CRR 01</p> <p>Prioritisation &amp; capacity to deliver.</p> <p>Also R CRR 41</p> | 8           | <ul style="list-style-type: none"> <li>• Transformation programme and benefits realisation plan.</li> </ul> <p>Commercialisation - is the programme delivering what is expected?</p>   |

| Ref | Audit Title             | Corporate Risk Register  | 2020 / 2021 | Potential Scope – Each audit will be scoped and agreed in advance. The audit may cover the following areas:  |
|-----|-------------------------|--|-------------|--|
|     |                         | Changing or ceasing some services  |             |  |
| 35  | Information Governance  | <p>Medium</p> <p>R CRR 37<br/>Failure to protect physical or electronic information assets</p> <p>I CRR 02<br/>Files / data stored in an alarmed but un-manned first floor unit that could be illegally accessed</p> <p>I CRR 03<br/>Personal sensitive information is shared with customers</p> <p>I CRR 04<br/>Holding and disposal of documents</p> | 5           | <ul style="list-style-type: none"> <li>Compliance with DPA 2018 (GDPR)</li> </ul>  |
| 37  | Climate Change          | ??   | 10          | <ul style="list-style-type: none"> <li>How is NDC responding to the Climate change emergency?</li> </ul>   |
| 38  | Governance Arrangements | Governance (Comms, complaints, business planning, governance)  | 5           | As NDC have recently changed from Executive structure to Scrutiny approach (Strategy & Resources), suggest it would be beneficial to review in 20/21.  |
|     | Other areas             | Leisure contract (Parkwood)  | 5           | Outsourced. New Leisure Centre opening Feb 2022. Will result in a new contract for a 20 year period (design, build and let contract). Possibly ongoing involvement from Q4 20/21 in the wider process.   |
|     | Other areas             | Member Allowances  | 5           | Allowances changed, following on from change in committee structure. Could be appropriate to review this in 20/21. Payment will also move to iTrent at a later stage.  |
| 39  | Follow Up               | N/A  | 10          | Follow up of any audit area scoring a low assurance grade in the previous years.   |
| 40  | Contingency             | NA   | 10          | The plan takes into consideration any risk areas for potential coverage identified throughout the year and specifically is intended to address and provide flexibility for unplanned and / or urgent audit requirements.   |
| 41  | Audit Management        | N/A  | 22          | <p>Includes:</p> <ul style="list-style-type: none"> <li>Key responsibilities associate with the Head of Audit role;</li> <li>Audit Needs Assessment &amp; Setting the Annual Plan;</li> <li>Audit Committee &amp; External Audit Meetings;</li> <li>General Contract Management</li> </ul> |
|     | <b>TOTALS</b>           |  | <b>218</b>  |  |



## NORTH DEVON COUNCIL

### INTERNAL AUDIT STRATEGY (March 2020)

#### 1 INTRODUCTION

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the County Treasurer is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The PSIAS refers to the role of Chief Internal Auditor, and requires this officer to ensure and deliver a number of key elements to support the internal audit arrangements. For The Council, the role of Chief Internal Auditor is provided by the Head of Devon Audit Partnership.

The PSIAS require the Head of Devon Audit Partnership to produce an Audit Strategy, which:

- is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- will communicate the contribution that Internal Audit makes to the organisation and should include:
  - internal audit objectives and outcomes;
  - how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
  - how Internal Audit's work will identify and address significant local and national issues and risks;
  - how the service will be provided, and
  - the resources and skills required to deliver the Strategy.
- should be approved, but not directed, by the Audit Committee.

The Strategy should be kept up to date with the organisation and its changing priorities.

## **2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES**

The primary objective of Internal Audit is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the Head of Devon Audit Partnership aims to fulfil the statutory responsibilities for Internal Audit by:

- identifying all of the systems, both financial and non-financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- creating an audit plan providing audit coverage on the higher risk areas in the Audit Universe;
- undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- providing managers with an opinion on, and recommendations to improve, the effectiveness of risk management, control and governance processes;
- providing managers with advice and consultancy on risk management, control and governance processes;
- liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- providing the Council, through the Audit Committee, with an opinion on governance, risk and control framework as a contribution to the Annual Governance Statement.

## **3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK**

As stated above, one of the key objectives of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings should also be held to discuss issues arising and other matters.

The Head of Devon Audit Partnership will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee.

The Head of Devon Audit Partnership will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- (a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) draw attention to any issues the Head of Devon Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement;
- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and

- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

## 4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process includes the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

### *Assignment planning*

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

## 5 PROVISION OF INTERNAL AUDIT

The Internal Audit for The Council is provided by Devon Audit Partnership

The Head of Devon Audit Partnership has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available PSIAS guidance. The manual is reviewed and updated to reflect changes in working practices and standards.

### **Internal Audit Performance Management and Quality Assurance**

The PSIAS state that the Head of Devon Audit Partnership should have in place an internal performance management and quality assurance framework; this framework must include:

- a comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- seeking *user feedback* for each individual audit and periodically for the whole service;
- a periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment); and
- an action plan to implement improvements.

### *Performance Measures and targets*

The Head of Devon Audit Partnership will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see over).

## Internal Audit Performance Monitoring Targets.

| Performance Indicator   | Full year target |
|---|------------------|
| Percentage of Audit Plan completed  | 92%              |
| Customer Satisfaction - % satisfied or very satisfied as per feedback forms | 90%              |
| Draft reports produced with target number of days (currently 15 days)       | 90%              |
| Final reports produced within target number of days (currently 10 days)     | 90%              |

There are a number of other indicators that are measured as part of the audit process that will be captured and reported to senior management.

| Task   | Performance measure  |
|--|--|
| Agreement of Annual audit plan   | Agreed by Chief Executive, CLT and Audit Committee prior to start of financial year.   |
| Agreement of assignment brief  | Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.   |
| Undertake audit fieldwork  | Fieldwork commenced at agreed time.  |
| Verbal debrief   | Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.  |
| Draft report   | Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.  |
| Draft report meeting (if required)                                       | Such a meeting was useful in understanding the audit issues.   |
| Annual internal audit report   | Prepared promptly and ready for senior management consideration by end of May.<br>Report accurately reflects the key issues identified during the year.  |
| Presentation of internal audit report to management and audit committee. | Presentation was clear and concise.<br>Presented was knowledgeable in subject area and able to answer questions posed by management / members.   |
| Contact with the audit team outside of assignment work.                  | You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person.<br>Emails, letters, telephone calls are dealt with promptly and effectively. |

Once collated the indicators will be reported to the S.151 Officer on a regular basis, and will be summarised in an annual report. Performance indicator information will also be presented to the Audit Committee for information and consideration.

The Head of Devon Audit Partnership is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.



## *Customer (user) feedback*

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the Internal Audit service as a whole.

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from:-

- auditees;
- senior leadership; and
- executive management.

The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

## *Internal quality reviews*

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 95% of the elements; partially meet 3% (6); and are not required to or do not meet 2% (5) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

In December 2016 Devon Audit Partnership welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service and his colleague Chris Wood, Audit Manager, who completed an external validation of the Partnership.

Terry and Chris concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms\*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.”

\* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

## **6 RESOURCES AND SKILLS**

### *Resources*

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Internal Auditor (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

Devon Audit Partnership currently has c.31 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter). The Partnership employs a number of specialists in

areas such as Computer Audit and Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff (as at February 2019) includes: -

- 3 x CCAB qualified
- 6 x qualified IIA
- 2 x qualified computer audit (QICA & CISA)
- 10 x AAT qualified
- 5 x ACFS (accredited counter fraud specialists)
- 4 x ILM (Institute of Leadership & Management) level 5 or above

Devon Audit Partnership uses MorganKai Insight (MKi) as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

### *Staff Development and Training*

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

## **Devon Audit Partnership**

**March 2020**



## **NORTH DEVON COUNCIL**

### **INTERNAL AUDIT CHARTER (March 2020)**

#### **MISSION**

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

#### **TERMS OF REFERENCE**

This Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

#### **DEFINITIONS**

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The PSIAS set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Corporate Leadership Team.

The PSIAS make reference to the role of “Chief Audit Executive”. For The Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

#### **STATUTORY REQUIREMENTS**

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

*5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the County Treasurer is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

## THE PURPOSE AND AIM OF INTERNAL AUDIT

The role of Internal Audit is to understand the key risks of the Council; to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge his / her statutory duties
- contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for The Council is provided by Devon Audit Partnership (DAP). We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of The Council, adding value whenever possible.

## PROFESSIONALISM, ETHICS AND INDEPENDENCE

### Being Professional

We (Devon Audit Partnership) will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors (IIA) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit performance. The IIA Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual.

Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

### Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by The Institute of Internal Auditors. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services.

The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

## **Being Independent**

Internal Audit should be independent of the activities that it audits.

The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent. They;

- Must have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Must be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Must not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

## **AUTHORITY**

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that:

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (2) (a) make available such documents and records; and
- (b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

- (3) In this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- the Chief Executive
- Members
- individual Heads of Service
- Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

## **ACCOUNTABILITY**

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each of the founding partners. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. Devon Audit Partnership operates within a framework that allows the following:

- unrestricted access to senior management and members
- reporting in its own name
- separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The Head of Devon Audit Partnership fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The County Treasurer ‘Section 151 Officer’ will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Devon Audit Partnership reports functionally to the Audit Committee on items such as:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving reports from the Head of Devon Audit Partnership on the section’s performance against the plan and other matters;
- approving the Head of Devon Audit Partnership’s annual report’
- approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.

## RESPONSIBILITIES

The Chief Executive, Heads of Service and other senior officers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The Head of Devon Audit Partnership will provide assurance to the County Treasurer 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him/her meet his/her obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include but are not limited to:

- examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- advising on internal control implications of new systems;
- providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- being responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues.

## INTERNAL AUDIT MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;
- be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The Head of Devon Audit Partnership is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

## **INTERNAL AUDIT PLAN AND RESOURCES**

At least annually, the Head of Devon Audit Partnership will submit to the Audit Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- develop, in consultation with Heads of Service, an annual audit plan based on an understanding of the significant risks to which the organisation is exposed;
- submit the plan to the Audit Committee for review and agreement;
- implement the agreed audit plan;
- maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- maintain a programme of quality assurance and a culture of continuous improvement.

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

It is a requirement of the Council's Anti-Fraud and Corruption Strategy that the Head of Devon Audit Partnership be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures.

Monitoring of Internal Audit's processes is carried out on a continuous basis by Internal Audit management, and the Council's members and management may rely on the professional expertise of the Head of the Devon Audit Partnership to provide assurance. From time to time, independent review is carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

## **REPORTING**

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk



and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be:

- to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- to recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report in writing, within 30 days, although this period can be extended by agreement. The written response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken this must also be stated. The Head of Devon Audit Partnership is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The Head of the Devon Audit Partnership will

- submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- submit on an annual basis an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment, which will also inform the Annual Governance Statement.

## **RELATIONSHIP WITH THE AUDIT COMMITTEE**

The Council's Audit Committee will act as the Board as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 3 Responsibility for Functions).

The Head of Devon Audit Partnership will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- attend meetings, and contribute to the agenda;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework.

## QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In December 2016 Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership. Terry concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms**\* to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

\* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

## CHARTER – NON CONFORMANCE AND REVIEW

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

Devon Audit Partnership

March 2020



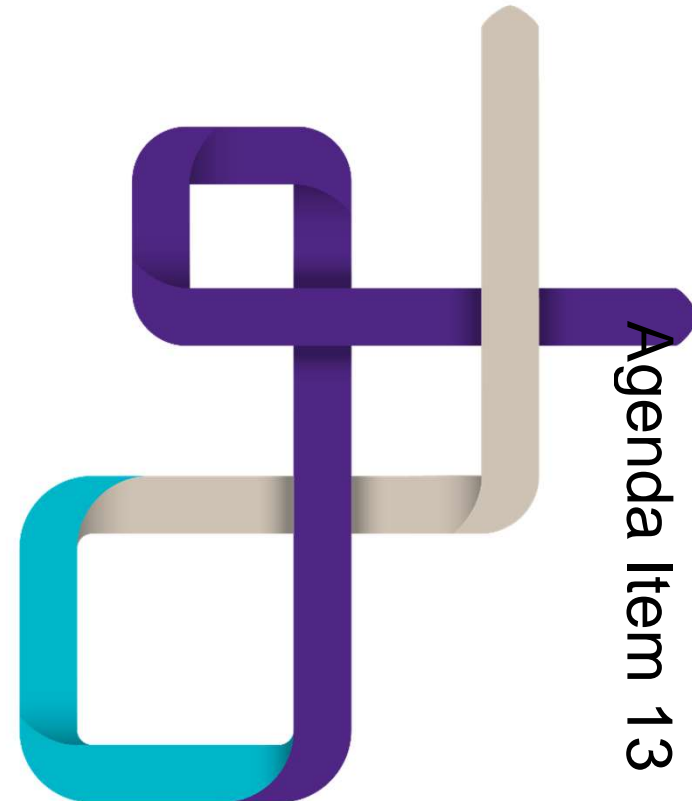
**Auditing for achievement**

# External Audit Plan

*Year ending 31 March 2020*

North Devon District Council  
10 March 2020

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## Section

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## Appendix

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of North Devon District Council ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of North Devon District Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Governance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control,
- The revenue transactions include fraudulent transactions (this is rebutted, please see page 5)
- Valuation of land and buildings, and
- Valuation of net pension fund liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £1.1m (PY £1.153m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.05m (PY £0.058m).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risk:

- Financial Sustainability.

## Audit logistics

Our interim visit will take place in March and our final visit is currently being finalised. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our total estimated fee for the audit will be £43,999 (PY: £40,999) for the Authority, subject to the Authority meeting our requirements set out on page 12-13 and PSAA approval.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

## 2. Key matters impacting our audit

### Factors

#### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For North Devon District Council, there remains uncertainties around Business Rates Retention and New Homes Bonus. The Council's revised Medium Term Financial Plan takes a prudent approach to assuming the level of income from these income streams. This has led to an increase in the budget gap over the medium term from £0.666m to £2.678m. The Council, at month 9, is forecasting a circa £0.006m underspend for 2019/20 against a revenue budget of £12.500m. Earmarked reserves are forecast reduce from £5.468m to £4.118m with the general fund balance remaining at £1.161m.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

#### Financial reporting and audit – raising the bar

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 more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

#### Implementation of IFRS 16 - Leases

This standard is due to be implemented in 2020/21 although disclosures will be required in the 2019/20 financial statements. We are discussing the progress the Council is making with understanding the potential impact of this standard. We have included this as an 'other' risk later in the Audit Plan.

#### Changes to the payroll system

We note that the Council plans to change its payroll system from the 1 April 2020. Whilst this does not represent a significant risk for the 2019/20 audit we will discuss the Council's arrangements for managing this significant project and to ensure that appropriate audit evidence remains available at our audit at the post-statements stage.

### Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Head of Resources and is subject to PSAA agreement.

- We will assess the adequacy of your disclosure about the financial impact of implementing IFRS 16 and will review the Council's preparations for the new accounting standards in further detail as part of our interim audit.
- We will monitor the Council's progress with the implementation of the new payroll system.

### 3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Risk   | Reason for risk identification  | Key aspects of our proposed response to the risk   |
|--|---|--|
| <b>The revenue cycle includes fraudulent transactions (rebutted)</b> | <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>   | <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at North Devon District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including North Devon District Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for North Devon District Council.</p>  |
| <b>Management over-ride of controls</b>                              | <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> |

# Significant risks identified (continued)

| Risk   | Reason for risk identification   | Key aspects of our proposed response to the risk   |
|--|--|--|
| <b>Valuation of land and buildings (Rolling revaluation)</b> | <p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£80.7 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work,</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert,</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out'</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation.</li> <li>• test revaluations made during the year to see if they had been input correctly into the Council's asset register</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. We note this is completed by the valuer using indices.</li> </ul> |



# Significant risks identified (continued)

| Risk  | Reason for risk identification  | Key aspects of our proposed response to the risk   |
|---|---|--|
| <p><b>Valuation of the pension fund net liability</b></p> | <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£61.7 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;</li> <li>• agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures.</li> <li>• obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul> |

## 4. Other risks identified

| Risk  | Reason for risk identification   | Key aspects of our proposed response to the risk  |
|---|--|---|
| <b>International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)</b> | <p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Authority's 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p> | <p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the processes the Authority has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements.</li> <li>• Assess the completeness of the disclosures made by the Authority in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC <a href="#">Local Authority Leasing Briefings</a>.</li> </ul> |

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report.

## 5. Other matters

### Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
  - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

### Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

## 6. Materiality

### The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

### Materiality for planning purposes

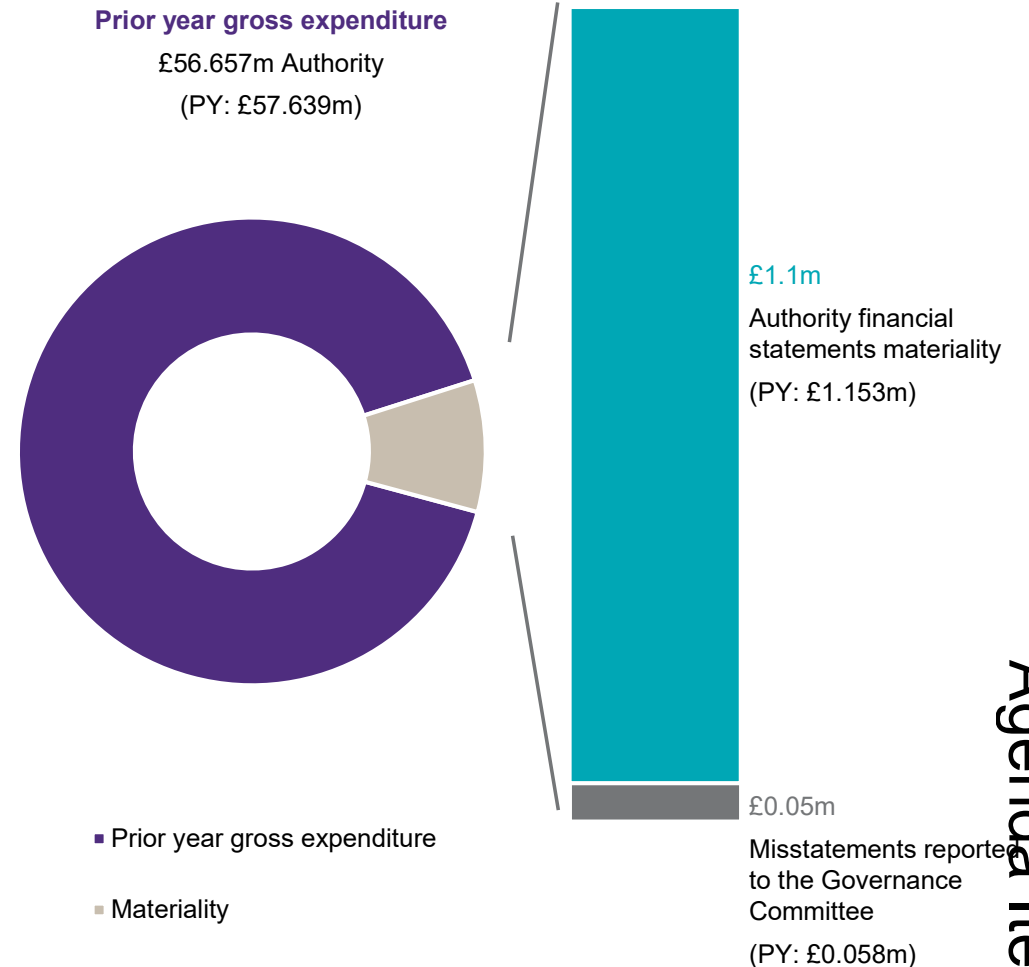
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.1m (PY £1.153m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.020m for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

### Matters we will report to the Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.050m (PY £0.058m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance Committee to assist it in fulfilling its governance responsibilities.



# 7. Value for Money arrangements

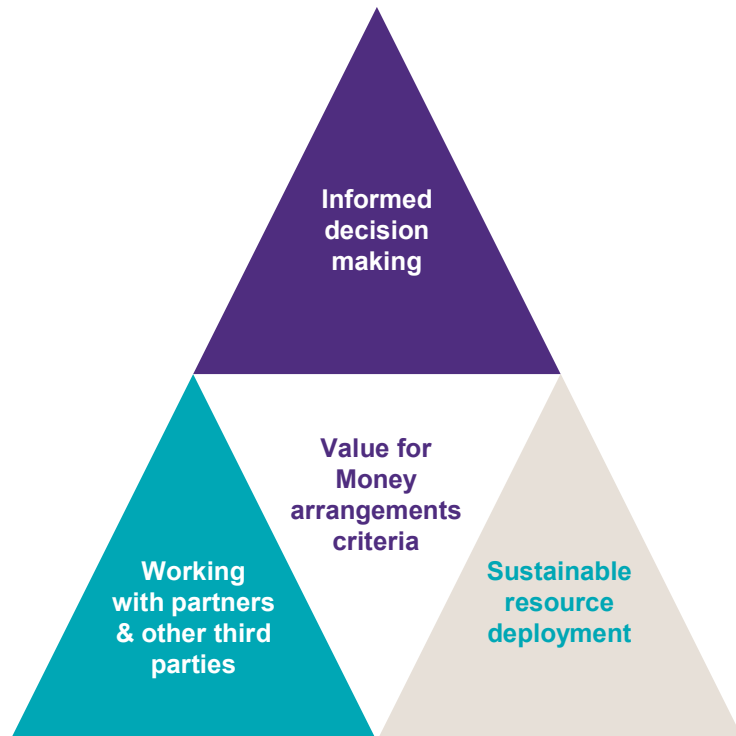
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



### Financial Sustainability

North Devon District Council continues to face significant financial challenges over the medium term. As at month 9 the Council is forecasting an underspend of circa £0.006m in 2019/20 but has a funding gap of circa £2.678m through to 2023/24. This budget gap has increased significantly from the budget gap of £0.666m reported in 2018/19. This is largely due to the assumptions made regarding New Homes Bonus and Business Rates. These are both areas of significant uncertainty and the Council appear to have taken a prudent approach. The Council currently has a General Fund Reserves balance (including earmarked reserves) of £6.629m. This is forecast to reduce by circa £1.3m as at 31 March 2020.

In response to this risk we will review the significant assumptions made in the Council's medium term financial plan and progress towards further closing the funding gap.

## 8. Audit logistics & team



### Peter Barber, Key Audit Partner

Peter's role will be to lead our relationship with you. He will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



### Andrew Davies, Audit Manager

Responsible for the overall management of the audit; consideration of VFM work; quality assurance of audit work and outputs.



### Roz Apperley, Audit In-Charge Auditor

Roz's role will be to be the day to day contact for the Council finance staff. She will take responsibility for ensuring there is effective communication and understanding of the finance team of audit requirements.

### Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

## 9. Audit fees

### Planned audit fees 2019/20

Across all sectors and firms, the 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. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been discussed with the Director of Finance and is subject to PSAA agreement.

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|   | Actual Fee 2017/18 | Actual Fee 2018/19 | Proposed fee 2019/20 |
|---|--------------------|--------------------|----------------------|
| <b>Council Audit</b>                    | £47,401            | £40,999            | £43,999              |
| <b>Total audit fees (excluding VAT)</b> | <b>£47,401</b>     | <b>£40,999</b>     | <b>£43,999</b>       |

### Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

# Audit fee variations – Further analysis

## Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

| Audit area  | £             | Rationale for fee variation  |
|---|---------------|--|
| <b>Scale/ original contract fee</b>   | 36,499        |  |
| <b>Raising the bar</b>  | 2,500         | The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.  |
| <b>Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19</b> | 1,750         | We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.  |
| <b>PPE Valuation – work of experts</b>  | 1,750         | We have increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.  |
| <b>New Accounting Standards</b>   | 1,500         | You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will be responding to the introduction of IFRS16. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements. |
| <b>Revised scale fee (to be approved by PSAA)</b>   | <b>43,999</b> |  |



# 10. Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No other services were identified.

| Service                       | £             | Threats   | Safeguards   |
|-------------------------------|---------------|---|--|
| <b>Audit related:</b>         |               |   |  |
| Housing Benefit Certification | 21,253        | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £21,253 in comparison to the total fee for the audit and in particular is not significant relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| <b>Total</b>                  | <b>21,253</b> |   |  |

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees. The firm is committed to improving our audit quality – please see our transparency report -

<https://www.grantthornton.ie/about/transparency-report/>

# Appendices

A. Audit Quality – national context

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# Appendix A: Audit Quality – national context

## What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

## Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets Authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

## What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

## What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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# Audit Progress Report and Sector Update

North Devon District Council  
Year ending 31 March 2020  
18 February 2020



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# Introduction



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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 [www.grantthornton.co.uk](http://www.grantthornton.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 Audit Manager.

## PSAA Contract Monitoring

North Devon District Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts 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](http://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 February 2020

## Financial Statements Audit

We have completed our planning for the 2019/20 audit and have included on this Governance Committee agenda our detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will begin our interim audit in in March 2020. Our interim fieldwork includes:

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- 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 our work in the Audit Findings Report and provide you with regular updates on the progress during the audit. At this stage we are unable to commit to discharging our responsibilities by the 31 July 2020 sign off date. We continue to discuss the timing of our post-statements audit with the Head of Resources.

## 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 is included in our Audit Plan.

The NAO has consulted on a new Code of Audit Practice and published a draft version. Subject to Parliamentary approval the new Code will come into force no later than 1 April 2020 and includes significant changes to the auditor's Value for Money work. Please see page 10 for more details.

## 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 detailed findings were reported to the January meeting of this committee.

### Meetings

We met with Finance Officers in February as part of our periodical 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 attended our Financial Reporting Workshop in February, 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.

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 Deliverables

## 2018/19 Deliverables

### Annual Certification Report

This report reports any matters arising from our certification work.

Planned Date

December 2019

Status

Complete

## 2019/20 Deliverables

### Fee Letter

Confirming audit fee for 2019/20.

Planned Date

April 2019

Status

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

Complete

### Interim Audit Findings

We will report to you the findings from our interim audit within our Progress Report.

June 2020

Not yet due

### Audit Findings Report

The Audit Findings Report will be reported to the Governance Committee.

TBC

Not yet due

### Auditors Report

This is the opinion on your financial statement, annual governance statement and value for money conclusion.

TBC

Not yet due

### Annual Audit Letter

This letter communicates the key issues arising from our work.

TBC

Not yet due

# Sector Update

Councils continue to try 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 local government sector 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

A full list of Sir Donald's recommendations can be found online, and a brief summary is provided below:

- Creation of a corporate auditing profession, governed by principles

- On the auditor's responsibility to detect fraud, Jonathan Riley, Grant Thornton Head of Quality and Reputation, said: "We are pleased to note that Sir Donald Brydon makes it clear that not only is there an expectation gap in relation to the purpose of audit and the detection of fraud but that the current ISAs need revision, and training of corporate auditors need to be enhanced, in order to allow auditors to better detect fraud. This is further reinforced by the new ability to make it easier for users of accounts, not just management, to inform the auditor of concerns relating to financial statements."

“Notwithstanding these proposals, it is neither possible or desirable for an auditor to test in detail every transaction of the company and so materiality will still exist. In addition, a fraud involving collusion and sophistication may still prove extremely hard to detect.”

Grant Thornton welcomes the consideration given by Sir Donald on the quality and effectiveness of audit. These recommendations should bring far greater clarity and transparency to the profession and ultimately result in an audit regime that allows auditors to better assess, assure and inform all users of financial accounts.

Crucially, the Government must now consider these recommendations not just in context of earlier inquiries into the profession, but also against the backdrop of global trade and Britain's future role as a pillar of global commerce. The report places new obligations not only on auditors, but also on company directors. Together with other regulations such as the revised Ethical Standard and wider corporate governance requirements, the proposed changes need to strike the right balance and not dent our place on the world's financial stage. Careful explanation particularly of what this means to those fast growing mid-sized public entities seeking capital will be necessary.

The public perception of audit remains weak and failures continue to happen, so we agree that now is the right time to explore what needs to change to ensure that audit is fit for modern day business and meets the public interest. The report should contribute heavily towards this outcome.

Link to the full report and full list of recommendations:

<https://www.gov.uk/government/publications/the-quality-and-effectiveness-of-audit-independent-review>

# MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, was expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) Financial savings from local audit reforms have been realised
- 5) There has been an increase in audit providers
- 6) Auditors are properly responding to questions or objections by local taxpayers
- 7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny

# Redmond Review – Review of local authority financial reporting and external audit

The independent review led by Sir Tony Redmond sought views on the quality of local authority financial reporting and external audit. The consultation ran from 17 September 2019 to 20 December 2019.

Grant Thornton provided a comprehensive submission. We believe that local authority financial reporting and audit is at a crossroads. Recent years have seen major changes. More complex accounting, earlier financial close and lower fees have placed pressure on authorities and auditors alike. The target sign-off date for audited financial statements of 31 July has created a significant peak of workload for auditors. It has made it impossible to retain specialist teams throughout the year. It has also impacted on individual auditors' well-being, making certain roles difficult to recruit to, especially in remote parts of the country.

Meanwhile, the focus on Value for Money, in its true sense, and on protecting the interests of citizens as taxpayers and users of services are in danger of falling by the wayside. The use of a black and white 'conclusion' has encouraged a mechanistic and tick box approach, with auditors more focused on avoiding criticism from the regulator than on producing Value for Money reports that are of value to local people.

In this environment, persuading talented people to remain in the local audit market is difficult. Many of our promising newly qualified staff and Audit Managers have left the firm to pursue careers elsewhere, often outside the public sector, and almost never to pursue public audit at other firms. Grant Thornton is now the only firm which supports qualification through CIPFA. It is no longer clear where the next generation of local auditors will come from.

We believe that now is the time to reframe both local authority financial reporting and local audit. Specifically, we believe that there is a need for:

- More clearly established system leadership for local audit;
- Simplified local authority financial reporting, particularly in the areas of capital accounting and pensions;

- Investing in improving the quality of financial reporting by local bodies;
- A realistic timescale for audit reporting, with opinion sign off by September each year, rather than July;
- An increase in audit fees to appropriate levels that reflect current levels of complexity and regulatory focus;
- A more tailored and proportional approach to local audit regulation, implementing the Kingman recommendations in full;
- Ensuring that Value for Money audit work has a more impactful scope, as part of the current NAO Code of Audit Practice refresh;
- Introducing urgent reforms which help ensure future audit arrangements are sustainable and attractive to future generations of local audit professionals.

We note that Sir Donald Brydon, in his review published this week, has recommended that *“the Audit, Reporting and Governance Authority (ARGA) (the proposed new regulatory body) should facilitate the establishment of a corporate auditing profession based on a core set of principles. (This should include but not be limited to) the statutory audit of financial statements.”* Recognising the unique nature of public audit, and the special importance of stewardship of public money, we also recommend that a similar profession be established for local audit. This should be overseen by a new public sector regulator.

As the reviews by John Kingman, Sir Donald Brydon, and the CMA have made clear, the market, politicians and the media believe that, in the corporate world, both the transparency of financial reporting and audit quality needs to be improved. Audit fees have fallen too low, and auditors are not perceived to be addressing the key things which matter to stakeholders, including a greater focus on future financial stability. The local audit sector shares many of the challenges facing company audit. All of us in this sector need to be seen to be stepping up to the challenge. This Review presents a unique opportunity to change course, and to help secure the future of local audit, along with meaningful financial reporting.

# National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

## Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO consulted on potential changes to the Code in two stages:

**Stage 1** involved engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO stated that they considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this informed the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

**Stage 2** of the consultation involved consulting on the draft text of the new Code. To support stage 2, the NAO published a consultation document, which highlighted the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. The draft Code includes three specific criteria that auditors must consider:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

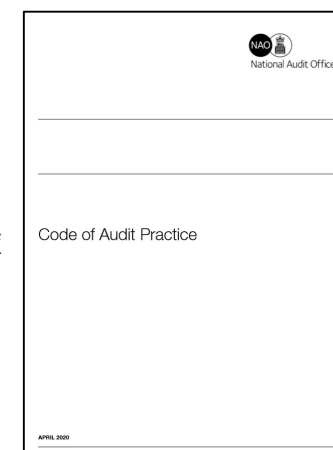
The auditor will be required to provide a commentary on the arrangements in place to secure value for money. Where significant weaknesses are identified the auditor should make recommendations setting out

- Their judgement on the nature of the weakness identified
- The evidence on which their view is based
- The impact on the local body
- The action the body needs to take to address the weakness

The consultation document and a copy of the new Code can be found on the NAO website. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the new Code:

[https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)



# Financial Reporting Council – aid to Audit Committees in evaluating audit quality

On 19 December the Financial Reporting Council (FRC) issued an update of its Practice Aid to assist audit committees in evaluating audit quality in their assessment of the effectiveness of the external audit process.

The FRC notes that, “The update takes account of developments since the first edition was issued in 2015, including revisions of the UK Corporate Governance Code, the requirement for all Public Interest Entities (PIEs) to conduct a tender at least every 10 years and rotate auditors after at least 20 years, and increasing focus generally on audit quality and the role of the audit committee. It also takes account of commentary from audit committees suggesting how the Practice Aid could be more practical in focus and more clearly presented.

The framework set out in the Practice Aid focuses on understanding and challenging how the auditor demonstrates the effectiveness of key professional judgments made throughout the audit and how these might be supported by evidence of critical auditor competencies. New sections have been added addressing the audit tender process, stressing that high-audit quality should be the primary selection criterion, and matters to cover in audit committee reporting.

As well as illustrating a framework for the audit committee's evaluation, the Practice Aid sets out practical suggestions on how audit committees might tailor their evaluation in the context of the company's business model and strategy; the business risks it faces; and the perception of the reasonable expectations of the company's investors and other stakeholders. These include examples of matters for the audit committee to consider in relation to key areas of audit judgment, and illustrative audit committee considerations in evaluating the auditor's competencies.

The FRC encourages audit committees to use the Practice Aid to help develop their own approach to their evaluation of audit quality, tailored to the circumstances of their company. Audit committees are encouraged to see their evaluation as integrated with other aspects of their role related to ensuring the quality of the financial statements – obtaining evidence of the quality of the auditor's judgments made throughout the audit, in identifying audit risks, determining materiality and planning their work accordingly, as well as in assessing issues.”



The Practice Aid can be obtained from the FRC website:

<https://www.frc.org.uk/getattachment/68637e7a-8e28-484a-aec2-720544a172ba/Audit-Quality-Practice-Aid-for-Audit-Committees-2019.pdf>



# Implementation of International Financial Reporting Standard 16 *Leases*

IFRS 16 *Leases*, as interpreted and adapted for the public sector, will be effective from 1 April 2020.

## Background

IFRS 16 *Leases* was issued by the International Accounting Standards Board (IASB) in January 2016 and is being applied by HM Treasury in the Government Financial Reporting Manual from 1 April 2020. Implementation of the Standard will be included in the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) for 2020/21.

The new Standard replaces the current leasing standard IAS 17 and related interpretation documents IFRIC 4, SIC 15 and SIC 27 and it sets out the principles for the recognition, measurement, presentation and disclosure of leases. The IASB published IFRS 16 because it was aware that the previous lease accounting model was criticised for failing to provide a faithful representation of leasing transactions.

## Impact on 2019/20 financial statements

Whilst the new Standard is effective from 1 April 2020, authorities are required by the Code to 'disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted'. This requirement of the Code (3.3.4.3) reflects the requirements of paragraph 30 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

In the 2019/20 financial statements we would therefore expect to see authorities make disclosures including:

- the title of the Standard
- the date of implementation
- the fact that the modified retrospective basis of transition is to be applied, with transition adjustments reflected through opening reserves
- known or reasonably estimable information relevant to assessing the possible impact that application will have on the entity's financial statements, including the impact on assets, liabilities, reserves, classification of expenditure and cashflows
- the basis for measuring right of use assets on transition
- the anticipated use of recognition exemptions and practical expedients recognising that what is sufficient disclosure for one body may not be sufficient for another

## Information needed for 2019/20 financial statements

In order to make disclosures in 2019/20, a significant amount of data will be needed, most significantly:

- a complete list of leases previously identified under IAS 17 and IFRIC 4
- details of non-cancellable lease terms, purchase options, extension and termination options
- details of lease arrangements at peppercorn or NIL rental
- anticipated future cash flows and implicit interest rates or incremental borrowing rates to enable calculation of lease liabilities

## Audit work on IFRS 16 transition

At this stage, we would expect you to have:

- determined whether the impact of IFRS 16 will be material for your authority
- raised awareness of the new Standard across the authority, potentially including procurement, estates, legal and IT departments
- assessed the completeness and accuracy of your lease register and taken action if necessary
- formalised and signed existing lease documentation
- identified leases of low value assets and leases with short terms
- considered whether liaison with valuation experts is necessary
- started to draft your 2019/20 disclosure note
- started to embed processes to capture the data necessary to manage the ongoing accounting implications of IFRS 16

and that you are monitoring progress against an approved IFRS 16 implementation plan. Your local engagement team will be in touch to discuss your progress with IFRS 16 implementation and audit working paper requirements.



# Implementation of International Financial Reporting Standard 16 *Leases*

## Further information and guidance

CIPFA published their 2020/21 Code consultation on 12 July 2019, including an Appendix concerned with IFRS 16 implementation, further details can be found at:

<https://www.cipfa.org/policy-and-guidance/consultations-archive/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202021?crdm=0>

HM Treasury published IFRS 16 Application Guidance in December 2019 which can be found at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/853238/IFRS\\_16\\_Application\\_Guidance\\_December\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853238/IFRS_16_Application_Guidance_December_2019.pdf)

CIPFA's IFRS 16 'Early guide for local authority practitioners' is available at:

<https://www.cipfa.org/policy-and-guidance/publications/i/ifrs-16-leases-an-early-guide-for-local-authority-practitioners>

IFRS 16 has been adopted a year earlier in the commercial sector. The Financial Reporting Council has published an IFRS 16 Thematic Review '*Review of Interim Disclosures in the First Year of Application*', containing key findings from their review and providing helpful insights into important disclosure requirements. The FRC's publication is available at:

<https://www.frc.org.uk/getattachment/a0e7c6e7-67d0-40fe-b869-e5cc589afe79/IFRS-16-thematic-review-2019-optomised.pdf>

# CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "The index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement. The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."

At the launch of the index in December, CIPFA commented "the index analyses council finances using a suite of nine measures including level of reserves, rate of depletion of reserves, external debt, Ofsted judgements and auditor value for money assessments."

CIPFA found that against these indicators the majority of councils are not showing signs of stress. But around 10% show "some signs of potential risk to their financial stability."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index/>



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11 February 2020

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Dear Jon

**Audit scope and additional work 2019/20**

In recent conversations we have discussed the increased regulatory focus facing all audit suppliers and the impact this will have on the scope of our work for 2019/20 and beyond. You will have also recently received a letter via email from Tony Crawley of PSAA explaining the changing regulatory landscape. In his letter, Mr Crawley highlights: *“significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.”*

I promised I would set out in more detail the likely impact of this on our audit, and I am pleased to do so in this letter. Should further matters arise during the course of the audit they could also have fee and timetable implications that we would need to address at that point.

Across all suppliers, and sectors (public and private), 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, as well as to undertake additional and more robust testing. There is a general ‘raising of the quality bar’ following a number of recent, high-profile company failures that have also been attributed to audit performance. Alongside the FRC, other key stakeholders including the Department for Business, Energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. The FRC has been clear to us that it expects audit quality in local audit to meet the same standards as in the corporate world and the current level of financial risk within local audit bodies supports this position.

As a firm, we are absolutely committed to meeting the expectations of the FRC and other key stakeholders with regard to audit quality and public sector financial reporting. To ensure the increased regulatory focus and expectations are fully met, we anticipate that, as first seen in 2018/19, we will need to commit more time in discharging our statutory responsibilities, which will necessitate an increase in costs. I set out below the implications of this for your Council’s audit.

**Increased challenge and depth of work – raising the quality bar**

The FRC has raised the threshold of what it assesses as a good quality audit. The FRC currently uses a four-point scale to describe the quality of the files it reviews, as follows:

| Score   | Description                                   |
|---------|---|
| 1 or 2a | Acceptable with Limited Improvements Required |
| 2b      | Improvements required                         |
| 3       | Significant Improvements Required             |

Historically, the FRC's definition for 2b was 'acceptable but with improvements required' and, as such, both the Audit Commission and PSAA considered a '2b' to represent an acceptance level of audit quality for contract delivery purposes. The FRC has now set a 100% target for all audits (including local audits) to achieve a '2a'. Its threshold for achieving a '2a' is challenging and failure to achieve this level is reputationally damaging for individual engagement leads and their firm. Non-achievement of the standard can result in enforcement action, including fines and disqualification, by the FRC. Inevitably, we need to increase the managerial oversight to manage this risk. In addition, you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. We will be required to undertake additional work in the following areas, amongst others:

- use of specialists
- information provided by the entity (IPE)
- journals
- management review of controls
- revenue
- accounting estimates
- financial resilience and going concern
- related parties and similar areas.

As part of our planning, we have also reflected on the level of materiality which is appropriate for your audit. As outlined above, the profile of local audit has increased considerably over the past year. The reviews led by Sir John Kingman, Sir Donald Brydon and Sir Tony Redmond are focusing attention on the work of auditors everywhere. Parliament, through the work of its Scrutiny Committees, has made clear its expectations that auditors will increase the quality of their work.

As a result, you may find the audit process for 2019/20 and beyond even more challenging than previous audits. This mirrors the changes we are seeing in the commercial sectors.

### **Property, plant and equipment (PPE or 'Fixed Assets')**

The FRC has highlighted that auditors need to improve the quality of audit challenge on Property, Plant and Equipment (PPE) valuations across the sector. We will therefore increase the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.

### **Pensions (IAS 19)**

The FRC has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Specifically, for the following areas, we will increase the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting. Our planned additional procedures include:

- verification of the accuracy and completeness of the data provided to the actuary by both the admitted body and the administering authority.
- checking the value of the Pension Fund Assets at 31 March per the Council's financial statements against the share of assets in the Pension Fund statements
- review and assess whether the significant assumptions applied by the actuary are reasonable and are followed up on areas identified by either our review or PwC as outliers.

- ensuring that the instructions from the audit team to the Pension Fund auditor include enquiries in respect of service organisation reports as well as testing in respect of material level 3 pension assets (please note that this is outside the scope of PSAA's fee variation process).

## Complex accounting issues and new accounting standards

You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will both be responding to the introduction of IFRS16. IFRS16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset with a corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements.

We know the Council has appreciated our responsiveness in the past and we would wish to continue to be able to do this in the future.

## Impact on the audit and associated costs

You will note we did not raise additional fees across the sector as a whole in 2018/19 in respect of the additional work required in response to the implementation of IFRS9 and IFRS15. This was a goodwill decision we took in support of the strong relationship we have with the sector. However, the volume of additional work now being required, as set out above, means we are no longer able to sustain that position. This is an issue not just across public services but also in the private sector where fees are being increased by all of the major suppliers by more than 20%.

We benefit from effective and constructive working relationships which we have established during our engagement with you to date. This allows us to absorb some of the impact of these changes. Using our strong working knowledge of you and efficiencies that we are continuously seeking to implement as part of our focus on continued collaborative working with you, we have sought to contain the impact as much as possible to below the market average.

We have assessed the impact of the above as follows for 2019/20, with the comparative position for the two previous years shown. Please note these are subject to approval by PSAA in line with PSAA's normal process. Should other risks arise during the course of the audit which we have not envisaged, we may need to make a further adjustment to the fee.

| Area                                  | Cost £        |               |               |
|---------------------------------------|---------------|---------------|---------------|
|                                       | 2019/20       | 2018/19       | 2017/18       |
| Scale Fee                             | 36,499        | 36,499        | 47,401        |
| Increased challenge and depth of work | 2,500         | 0             | 0             |
| PPE                                   | 1,750         | 1,500         | 0             |
| Pensions                              | 1,750         | 1,500         | 0             |
| New standards/ developments           | 1,500         | 0             | 0             |
| McCloud                               | 0             | 1,500         | 0             |
| <b>Total</b>                          | <b>43,999</b> | <b>40,999</b> | <b>47,401</b> |

This would give a scale fee for the statutory accounts audit for 2019/20 of £36,999 plus VAT plus a variation of £7,500 plus VAT, giving a total of £43,999 plus VAT.

Please note that PSAA's arrangements require a separation of fees and remuneration, which means that Grant Thornton does not receive 100% of the current fees charged.

The additional work we are now planning across the whole of our portfolio will inevitably have an impact on the audit timetable and whether or not your audit can be delivered to appropriate quality standards by the 31 July 2020. Grant Thornton remains the largest trainer of CIPFA qualified accountants in the UK

and is committed to continue to resource its local audits with suitably specialised and experienced staff but the pool of such staff is relatively finite in the short-term. I will be happy to explain the impact of the further work we are planning to undertake on our delivery timetable for your audit.

## **Future changes to audit scope**

As I have previously mentioned in meetings and at the Audit Committee, the National Audit Office is currently consulting on revisions to the Code of Audit Practice and has also indicated its intention to consult on the accompanying Auditor Guidance Notes. This defines the scope of audit work in the public sector. The most significant change is in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- b) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under each of these criteria, statutory guidance will set out the procedures that auditors will need to undertake. An initial review of arrangements will consist of mandatory procedures to be undertaken at every local public body plus any local risk-based work. The consultation closed on 22 November 2019. A new Code will be laid before Parliament in April 2020 and will apply from audits of local bodies' 2020/21 financial statements onwards.

Until the consultation is finalised and more details emerge of what is expected of auditors, it is difficult to cost the impact. However, as soon as the requirements are finalised and it is clear exactly what the expectations will be, I will share with you further thoughts on the potential impact on the audit and associated costs.

I hope this is helpful and allows you to plan accordingly for the 2019/20 audit. Should you wish to discuss this further, please do not hesitate to contact me. We will be sharing our detailed Audit Plan with you in due course. We look forward to working with you again this year,

Yours sincerely



## **Engagement Lead and Key Audit Partner**

For and on behalf of Grant Thornton UK LLP



## NORTH DEVON DISTRICT COUNCIL

**REPORT TO: GOVERNANCE COMMITTEE**

Date: 10<sup>th</sup> March 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 7<sup>th</sup> January 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 remained at 1,199.

**Table A) Live Audit Reports, Status & Numbers**















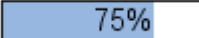
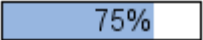
| Code                  | Title  | Status  | Progress | High Risk | Medium Risk | Low Risk |
|-----------------------|--|---|----------|-----------|-------------|----------|
| <b>15 DR</b>          | Disaster Recovery 2015/16                      |  In Progress | 89%      | 0         | 6           |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

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

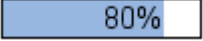
| Recommendation | Closure Note | Original Due Date | Completed Date |
|----------------|--------------|-------------------|----------------|
| NI             |              |                   |                |

**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    |
|--|---|---|---|-------------------|-------------|
| 16 PL 03 S106<br>Agreements<br><br>Page 108              | We recommend that as part of the Contract audit 2016/17 a review the administration of Section 106 Agreements is completed to assess the effectiveness of service delivery.   |   | The progress on this project was over estimated in previous reports. The implementation of the new software has freed up time and allowed a greater focus on the S106 process. A project team is in place and preparatory work has better revealed the extent of the problem - with little clear process in place and a number of teams holding and maintaining their own data sets. Priority has been put on ensuring that invoices are issued for S106 payments and that the S106 module in the new software is set up to assist all users in the process and draw down of payments. The later development of the module will take until September 2020 and using this base to refine and improve the process/system will likely take an additional six months to February 2021.<br><b>Request revised due date: 28 February 2021</b> | 31-Dec-2016       | 31-Dec-2019 |
| 17 RM&CG 02<br>Completeness of<br>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. |  75% | Majority of service areas have now reviewed and updated service risk assessments in February 2020. There are 3 areas who's assessments are currently being reviewed; Building Control, EH & Housing and Waste & Recycling. In order to enable these final assessments to be finalised a revised due date is requested.<br><b>Request revised due date: 31<sup>st</sup> March 2020</b>   | 30-Apr-2017       | 31-Oct-2017 |

|  |   |   |   |             |             |
|--|---|---|---|-------------|-------------|
| 19 CG&RM 01 Regular Review of Risk Registers | All risk registers should be reviewed regularly in accordance with the Risk Management Framework. |  | Majority of service areas have now reviewed and updated service risk assessments in February 2020. There are 3 areas who's assessments are currently being reviewed; Building Control, EH & Housing and Waste & Recycling. In order to enable these final assessments to be finalised a revised due date is requested.<br><b>Request revised due date: 31<sup>st</sup> March 2020</b> | 30-Nov-2019 | 31-Jan-2020 |
|--|---|---|---|-------------|-------------|

**Table D: Outstanding Audit Recommendations**

| Code   | Description   | Progress  | Latest Note  | Original Due Date | Due Date    |
|--|---|---|--|-------------------|-------------|
| 15 HN (CBL) 01 Housing Team to review the housing waiting list to confirm details are still correct / change in circumstances, that they wish to remain on the register + review all Band B every 6 months | <b>Housing Waiting List Review</b><br>The Housing team should undertake a review of all applicants to: <ul style="list-style-type: none"> <li>Confirm that the details on the register are still correct</li> <li>Check whether there have been any changes in an applicant's circumstances</li> <li>Confirm that the applicant wants to stay on the housing register. The Housing team should also contact, or at least review, all applicants in Band B every 6 months, although this would exclude those for prevention of homelessness or statutory homelessness as these are reviewed weekly as standard.</li> </ul> |  | 10-Jun-2019<br>Please see attached report. Request revised due date: <b>31<sup>st</sup> December 2019</b><br><b>original Due Date 31 October 2015.</b> | 31-Oct-2015       | 31-Dec-2019 |

## 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.

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Author: Sarah Higgins    Date: 2<sup>nd</sup> March 2020  
Reference: Audit Recommendation Report March 2020 V.1.1

**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 | <div><div>60%</div></div> | Extension of Time Request extended to 31 <sup>st</sup> March 2020 approved by Governance Committee 11 <sup>th</sup> 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 |

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# 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        |
|---|----------|----------|----------------|----------|----------|-----------------|
| <b>North Devon Council items</b>  |          |          |                |          |          |                 |
| 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<br>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 |
|--|----------|-------------|----------------------|----------|----------|----------|
| <b>Internal Auditor items</b>                      |          |             |                      |          |          |          |
| Internal Audit Annual report                       |          |             | Moved from June 2019 |          |          |          |
| Internal Audit Strategy and Plan                   |          |             |                      |          |          |          |
| Internal Audit Charter                             |          |             |                      |          |          |          |
| Internal Audit Progress Report                     |          |             |                      |          |          |          |
| <b>External Auditor items</b>                      |          |             |                      |          |          |          |
| 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 |                      |          |          |          |
| <b>Standing Items</b>                              |          |             |                      |          |          |          |
| Audit Recommendation Tracker                       |          |             |                      |          |          |          |
| Work Programme                                     |          |             |                      |          |          |          |

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