

**NORTH DEVON COUNCIL**

Minutes of a meeting of Governance Committee held at Virtual - Online meeting on Tuesday, 3rd November, 2020 at 6.30 pm

PRESENT: Members:

Councillor Roome (Chair)

Councillors Jenkins, Luggar and Walker

Officers:

Chief Executive, Accountancy Services Manager and Senior Solicitor/Monitoring Officer

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

The Committee Clerk advised the Committee of the rules and etiquette for remote meetings.

**108. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Bushell and Henderson.

**109. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETINGS HELD ON 8TH SEPTEMBER 2020 AND 5TH OCTOBER 2020.**

The Committee approved the minutes of the Governance meetings of 8<sup>th</sup> September 2020 and 5<sup>th</sup> October 2020.

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

There were no items to be brought forward as a matter of urgency.

**111. DECLARATIONS OF INTERESTS.**

There were no Declarations of Interests announced.

**112. TO AGREE THE AGENDA BETWEEN PART 'A' AND PART 'B' (CONFIDENTIAL RESTRICTED INFORMATION).**

There were no 'Part B' agenda items.

**113. INTERNAL AUDIT - ASSURANCE OPINIONS -  
STANDARDISATION ACROSS PUBLIC SECTOR**

The Committee considered a report by Devon Audit Partnership (DAP) regarding the Internal Audit Assurance Opinions – Standardisation across Public Sector (circulated previously).

Internal Auditor (DC) addressed the Committee and explained the background to the report:

- This report concerning the Assurance Opinions was used to set the scene on the additional reports provided by DAP.
- The Audit opinion itself was the Auditor's judgement and not based on any scientific calculation. Whether the opinion was 'substantial' or 'reasonable' it would be discussed with their client, in this instance; North Devon Council.
- The opinion of Reasonable Assurance was given in the majority of cases.
- Opinions were given in consultation with the Management Board at DAP, following the CIPFA standards.
- This was now the standard approach, used across the board, in order to establish a constant approach.
- The new system provided a colour-coded rating for the Assurance Mapping (Red/amber/green) to enable clearer and quicker interpretation or both an overall position, and specific areas of concern.

RESOLVED that the Internal Audit Assurance Opinions – Standardisation across Public Sector report be noted.

**114. INTERNAL AUDIT ASSURANCE MAPPING**

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

The Committee was advised of the following:

- This report was now colour coded, as explained previously, using a colour-coded rating system (red/amber/green). The Map was set out as a table.
- It had been a new process to both the DAP and the Authority in the preparation and delivery of the report. Due to the constraints of working during the pandemic, the work had been delivered remotely so adjustment had to be made to the methods of audit, and the approach.
- Public Sector Insurance Standards expect the Audit map to be completed alongside the Risk Register, however, it was accepted the issues faced had prevented this. In future it was hoped that the map and register would be produced together.
- The Map was 'live' and would be amended over the financial year. It was hoped it would make identification of any hotspots on the control network easier.

- The Map/Table was set out in three sections – each line of defence; Business Operation, Financial Corporate and Governance, and Independent Assurance.
- DAP had built this based on the work of the previous auditors, however their work had been re-examined, as DAP had been required to do.
- Based on what had been seen in 2019-20 it was expected that many of the areas currently ‘amber’ would be moved to ‘green’ as the year progressed. Some areas were yet to be classified/coloured.
- The Map was specifically tailored for each Local Authority, although the base template was the same for all.
- It was considered that the Assurance Mapping report would be continuously updated and could be presented to the Governance Committee regularly if required.

The Chair advised that he thought it would be a valuable visual tool and appeared easy to understand. It could also be used as a benchmark against other Authorities’ progress.

The Auditor advised that it would not be suitable as a benchmark as such, as there was no league table, although it could help to identify where other LAs may be of use in order to learn from each other and provide advice and assistance in particular areas.

The Chair advised he felt it could be used to examine progress and concentrate on particular areas of work. He hoped that within a year that any currently uncoloured issues would be coloured.

RESOLVED that Internal Audit Assurance Mapping be noted.

#### **115. INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report by Devon Audit Partnership regarding the Internal Audit progress report for 2020-21 (circulated previously).

The Committee was introduced to the new Auditor and given an update on his background and experience.

The Committee was advised of the following in relation to the Internal Audit Progress Report 2020-21:

- Progress had been slow over the past year due to the pandemic.
- The introduction gave a useful indicator of the overall opinion of the annual report which was indicative of the Annual Assurance Opinion.
- The Opinion Statement contained the definitions of the assurance ratings.
- The “Summary of Audit Reports and Findings for 2020-21” provided information on three core key financial systems. It listed the core audits and some of the initial findings. The summary was in the form of a table. The information was assessed at an opinion of Reasonable Assurance. The Auditors would speak to managers if areas required improvement. The LA

would need to focus on core risks and ensure that the managers were considering these. Generally the risks were being managed and escalated appropriately.

- The delivery of the signed plan was delayed as resources were redirected to Covid-19 works. The auditors would be speaking to the Head of Resources in the next couple of weeks to get any remaining audits scheduled.
- ANA refers to the Audit Needs Assessment. It was hoped that the LA's software would pick up the scoring from the Risk Register to give an overall context. The columns on the right hand side of the summary table covered the recommendations and the direction or travel. The direction of travel was a pictorial indication of the way the item was headed, i.e. towards or away from a green/red/amber rating.

In response to questions from the committee the Auditor advised:

- The opinion of Reasonable Assurance was unlikely to change.
- Auditors were unable to compare officers' performance when working from home against when working in the offices. Audits could be used to see if the controls in place were suitable for the changes which come from working remotely, e.g. the use of e-signatures to authorise payments, or the ability to do ICT system updates when users were active remotely.
- The audits were in place to provide individual assurance to ensure controls continue to be effective as procedures change.

The Chief Executive advised that any issues regarding staff performance whilst working from home would be a management issue, rather than for the auditors.

RESOLVED that the Internal Audit Progress report 2020-21 be noted.

#### **116. 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 confirmed:

- The report set out the progress made against the 2019-20 audit. The findings had been presented in October 2020 and now, only a few items were outstanding.
- Progress had been made and many items cleared.
- The final Letter of Representation, the Draft Accounts, and the Annual Governance Statement had all been signed.
- Still outstanding were completion of work on PPE and Investment Properties, receipt and review of the letters of assurance from the Devon County Council (DCC) Pension Fund Auditor. These were also being waiting on by other Devon Authorities. DCC were hoping to issue these by the end of November 2020.
- The Value for Money conclusion was expected to be that of 'Unqualified'.

- The Housing Benefit Subsidy Claim work was ongoing. Additional '40+' testing was being carried out by the Benefits Officers. When this was completed it would be reviewed. The auditors intended to complete this work by the original 30<sup>th</sup> November 2020 deadline. It was noted that the Department for Works and Pensions (DWP) had extended the deadline to 31<sup>st</sup> January 2021. The findings would be presented to the Committee in the Certification Letter in January 2021.
- The Report included information on the Redmond Review which discussed the effectiveness of local audit; suggesting the creation of a new regulator, and re-assessment of fees. The review also made reference to the possible streamlining of the Annual Accounts as the information required from LAs had increased. The Auditor noted that as accounts were so complex any such action would require legislation change. The review also suggested the appointment of an independent person to Audit Committees. Not necessarily a Councillor, but someone with relevant business or financial experience.

The report contained additional articles in relation to the Sector Update, Code of Audit Practice and Revised Approach to Value for Money Audit Work, Local Government Reorganisation in Two-Tier Shire Counties, along with a number of reports relating to Covid-19 and economic recovery

In response to questions from the Committee, the External Auditor confirmed that:

- The target to sign off the audit was the end of November 2020. The DCC Pension Fund Auditor (who was also a Grant Thornton employee) would provide their reports by that target date although were unable to give a definitive date currently.
- Some Committees had appointed one or even two independent members. There was the opinion that the skill set of Audit Committee Members varied across the country and that the addition of an independent person could facilitate change and bring additional knowledge and ideas from a different perspective. The challenge however was the ability to attract people with appropriate skills to the role.
- The Auditors regularly met with the Chief Executive and the Head of Resources and the reports would come to this Governance committee. The report could however be presented to Full Council if required.
- There were no penalties if the audits were not signed off by the deadline, although the LA would have to publish the reason(s) for the delay. If the reason was the delay of the DCC Pension Fund report then there would be other LAs with the same issue.

The Chief Executive echoed the issues in appointing independent people to committees and suggested that the LA's Monitoring Officer could attend.

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

**117. 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 Chief Executive advised the Committee of the following updates:

- Table A detailed the ten Recommendations currently in progress.
- No recommendations had been included in table B (recommendations completed since the last meeting of the Governance Committee).
- Table C detailed three recommendations for which time extensions were being requested. Of these, item 20 FB&E 03 could not be completed now many staff were working remotely who had been unable to undertake the training required. Staff would be required to complete an e-learning module.
- Table D confirmed there were no outstanding recommendations.

Councillor Walker wished to pass on her thanks to those involved for their hard work in completing the recommendations to date.

RESOLVED:

- (a) that that the extensions to time scales requested in the Audit Recommendation Tracker be approved; and
- (b) that the Audit Recommendation Tracker be noted.

**118. WORK PROGRAMME**

The Committee considered the work programme for 2020-21 (circulated previously).

RESOLVED that the work programme for 2020-21 be noted.

Chair

The meeting ended at 8.00 pm

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