

North Devon Council Governance Committee

Date: September 2023

Half Yearly Report of the Chair of Governance Committee

The last report was presented in March 2023. Since then the Committee had met once on 13th June. This was the first meeting of the new Committee membership since the election in May.

13th June 2023

Internal Audit - Annual Report

The Committee was advised of the following in relation to the Internal Audit Annual Report 2022-23:

- Overall, the Head of Internal Audit's opinion was of "Reasonable Assurance".
- Further work was required within performance management. Progress had been made, with the number of corporate risks at a manageable level.
- A summary of the assurance opinions provided within the year confirmed the following at each level:
 - 16 Reasonable
 - 4 Substantial
 - 4 Limited
 - 3 Grant certification
- The Council were felt to have a low-risk appetite for investments.
- The Theatre Operating Contract had been added to the Contract Management Framework.

External Audit – Audit Plan

- The Audit Plan included; materiality, the value for money (VFM) arrangements and opinion on the statements.
- Although the deadline for the accounts had been moved to the end of May this year, NDC had met that deadline (being within the 25% of South West councils who had done so).
- Although they did focus on risks, any item within the accounts could be subject to an audit.
- The significant risks had been identified and were set out within the audit plan.

Statement of Accounts 2022/23

- The target date had been brought forward from end of November 30th September.

- The external auditors were expected to be examining the accounts over the summer months, and coming back hopefully with an 'Unqualified' opinion.
- Post-pandemic, the cost of living pressures, and the UK's rising inflation rate, were the main challenges. At the end of March 2023 the inflation rate was at 13.5%. The Council recognised the effects of world economic conditions on inflation and that this had impacted public finances which, it was recognised, would be experienced beyond 2022/23.
- The refreshed forecasted cumulative budget gap for 2023/24 was £0m and at 2024/25 £0.499m. From 2025/26 to 2028/29 this increased to £3.307m (2025/26) and further increased to £3.455m (2028/29) due in part to the predicted impact of the Government's Fair Funding Review.
- The Business case for the purchase of the Green Lanes Shopping Centre (purchased November 2021) demonstrated that revenue income would cover both the loan repayment and asset management costs, and return a contribution to the Council. The Centre had provided a net return of £243,600 for Nov 2021 to March 2022, and a net return of £291,000 for 2022/23.
- As at December 2022 the Council forecast a net surplus of £19,000 against the budget.

Draft Annual Governance Statement

- The Annual Governance Statement sets out the processes and procedures in place to enable the Council to carry out its functions effectively, based on the core principles of the governance framework.
- Key elements of the framework included work of the Strategy and Resources Committee and Full Council in setting budgets, strategies and corporate objectives.
- The review of the Council's governance arrangements had been supported by the internal auditor as the Devon Audit Partnership had carried out 16 audits during the year. Their Annual audit opinion was of 'reasonable assurance' that there was generally sound system of governance, risk management and control in place.

Risk Management Model and Framework

- The Risk Management Model set out the Council's process for identifying, accessing and addressing risks. It also set out the risk escalation plan, with the aim that a member of staff could raise a risk that, if appropriate, can be escalated to the corporate risk register reported to the Governance Committee.

- Internal audit reviewed these documents during audit in March 2023. They reported that the documents were of good quality and explained the councils approach to risk.

Audit Recommendation Tracker

- There were 23 live recommendations.
- Requests for time extensions were being requested for 7 recommendations.
- There were no overdue recommendations.

Compensation Payments Made under Delegated Powers

- Of the 9 complaints received by the Ombudsman only 2 had been upheld
- These two had not been resolved in a timely manner and were 'stage two' complaints. Compensation payment had been made due to the delays in resolution

Corporate Risk Register

- The Corporate Risk Management Group (CORGI) met on the 22nd May to review the risk register and provide members with an updated position for each risk.
- Risk scores had stayed the same as in the previous quarter. The highest risk score of 16 remained the inability to meet temporary accommodation need resulting in increased homelessness.

Internal Audit Reports – Information Management 2022-23 and Cyber Security 2022-23

The auditors provided additional updates in relation to these two specific audits. The following was noted by the Committee:

- The recommendations within these two reports would be completed by the end of December 2024.
- Data Protection and Data Security were a high priority
- World-wide Cyber Risk and Cyber Crime were a bigger problem than gun-crime.
- The FBI were working with world Governments to improve security. The limited assurance opinion was due to the world-wide issue.
- Further cyber training would be considered.
- A PAG capital bid had been submitted with regards to back-up provision and business continuity.