

North Devon Council Governance Committee

Date: September 2019

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 March 2019. Since then the Committee had met on 11th June 2019 and 22nd July 2019.

North Devon Council Agenda Items

Compensation Payments Made Under Delegated Powers

The Chief Executive advised the Committee that compensation payments were only made on rare occasions. The ten payments listed on the report covered a period of six months. The majority of payments were made in relation to the Waste and Recycling service. The Committee noted that the compensation payments made were low in relation to the number of collections.

External and Internal Audit

The Internal Audit Progress Report 2018/19, the External Audit Fee Letter 2019/20, and the External Audit Progress Report and Sector Update were presented at the June meeting. The External Audit Findings Report and the Letter of Representation were presented in July.

The Committee was advised of the following in relation to the Internal Audit Progress Report 2018/19:

- 88% of the plan had now been completed.
- One final report in relation to Main Accounting System and Budgetary Control had been issued, with a substantial assurance rating together with one priority three recommendation in relation to "Procedures should denote the last review date and next date it was due for review to confirm, it was still fit for purpose".

The External Auditor outlined the details of the fee letter, the basis for the fee to be charged together with the audit timetable. He advised that the scope of the fee was the same as the prior year and the proposed timetable for 2019/20 was included.

The External Auditor advised the External Audit Progress Report and Sector Update report was the regular progress report, which outlined the progress at 30th May 2019. The report reviewed the financial

statements, value for money and other areas within the Council. It had been agreed that the initial risk assessment findings be presented at the meeting in July 2019.

The Annual Governance Statement 2018/19

The Head of Corporate and Community Services outlined the key elements of the Council's Governance Framework. He explained how the Council had complied with the Framework in relation to the key arrangements that were in place to meet the core principles.

He highlighted various points for the Committee which included that:

- The 2017/18 Annual Audit Letter (received August 2018) provided an unqualified opinion on the accounts.
- During the year Internal Audit had undertaken 17 audits.
- The Local Government Ombudsman (LGO) report indicated that 23 complaints had been received for the year. This was consistent with the levels over the prior five year period.
- One significant issue in relation to business continuity had been identified and had been outstanding for some time. Other issues related to the development of an action plan to implement recommendations from the Investors in People report and the Peer Review together with the development of a savings plan to plan for budget reductions.

Statement of Accounts 2018/19

The June meeting dealt with the Statement of Accounts 2018/19.

The Committee were advised that:

- The Council originally budgeted to spend £12.220m in 2018-19. As at 31 December 2018, the Council was forecasting a net deficit of £0.019m against the budget.
- The last quarter of the financial year had seen some favourable variances since the last reported position; additional income through the one-off pilot year for 100% Business Rate Retention scheme and additional savings achieved throughout our staffing budgets.
- Following a contribution to the Collection Fund reserve of £0.236m in 2018/19, a residual surplus of £0.518m would remain in the 2019/20 year.
- The general fund reserve balance at 31st March 2019 was £1.161m, which was a level of 9.5% of the Council's net revenue budget.

External Audit Findings Report

The July meeting dealt with the External Audit Findings Report.

The Committee were advised that:

- The original report submitted and included on the agenda had been a draft version. The final version (dated 19th July 2019) had been submitted subsequently.
- The report gave a positive message on the Authority's work.
- Having considered the risk factors set out in ISA240, they were happy that the risk was low and good controls were in place.

- In relation to the Value for Money (VFM) work, the External Auditors had identified Financial Sustainability as a significant risk. The Council's Medium Term Financial Strategy (MTFS) had shown a cumulative budget gap of £0.666m by 2022/23. Grant Thornton had concluded that this risk was significantly mitigated and potential schemes to bridge the shortfall had been identified.

Audit Recommendation Tracker

The Committee was advised in June that:

- There were no resource issues with regards to the requested extension times
- The target dates that were set by the Heads of Service should be realistic and achievable in an effort to avoid the requirement for extension dates.
- The disaster recovery recommendation was a continuous process and a significant amount of work had already been undertaken.

The Committee was advised in July that:

- There were no resource issues with regards to the requested extension times

The Letter of Representation

The Head of Resources explained that the Letter of Representation outlined the governance in place and the Authority's responsibilities on the financial statements provided. The Letter was presented to the Governance Committee on 22nd July 2019 in advance of the Full Council meeting on 24th July 2019. The Letter would be required as part of the final process on the Statement of Accounts.