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18 July 2019

Dear Member

Special Audit Committee – 15 July 2019

I am now able to enclose, for consideration at the next meeting of the **Council**, the following reports that were unavailable when the agenda was printed.

Agenda.No. 8 Minutes, Special Audit Committee, 15 July 2019

To add to your agenda for the meeting on **24 July 2019**.

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To receive and consider the reports, minutes and recommendations of the recent meetings as follows:

- (1) Cabinet
 - 30 May 2019
 - 27 June 2019
- 2) Scrutiny Committee
 - 10 June 2019
 - 8 July 2019
- (3) Audit Committee
 - 25 June 2019
 - 15 July 2019 – **attached**
- (4) Environment Policy Development Group
 - 11 June 2019
- (5) Homes Policy Development Group
 - 18 June 2019
- (6) Economy Policy Development Group
 - 13 June 2019
- (7) Community Policy Development Group
 - 25 June 2019
- (8) Planning Committee
 - 5 June 2019
 - 3 July 2019
- (9) Standards Committee
 - 19 June 2019
- (10) Licensing Committee
 - 4 July 2019
- (11) Regulatory Committee
 - 4 July 2019

Yours sincerely

Mrs Sally Gabriel
Member Services Manager

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MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 15 July 2019 at 10.00 am

Present

Councillors

R Evans (Chairman)
Mrs C Collis, B A Moore, F W Letch and
B G J Warren

Apologies

Councillors

A Wilce, J Wright and A Wyer

Also Present

Councillor

R M Deed

Also Present

Officers

Andrew Jarrett (Deputy Chief Executive (S151)), Joanne Nacey (Group Manager for Finance), Catherine Yandle (Group Manager for Performance, Governance and Data Security), David Curnow (Deputy Head of Devon Audit Partnership), J P McLachlan (Principal Accountant), Rob Fish (Principal Accountant), Angela Barrett (Accountant) and Sarah Lees (Member Services Officer)

Also in

attendance

Julie Masci and Andrew Davies from Grant Thornton

14. **APOLOGIES**

Apologies were received from the following councillors:

- Cllr A Wilce who was substituted by Cllr B Warren
- Cllr J Wright
- Cllr A Wyer who was substituted by Cllr F Letch

15. **DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT**

There were no interests declared under this item.

16. **PUBLIC QUESTION TIME**

There were no members of the public present.

17. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 25 June 2019 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

18. CHAIRMAN'S ANNOUNCEMENTS

The Chairman had the following announcements to make:

1. He had attended the first Devon Audit Partnership (DAP) meeting of the new municipal year at County Hall and, as previously advised, he had taken up the role of chairing the meetings on behalf of Mid Devon District Council for the remainder of the municipal year 2019/20. He advised the Committee that South Hams District Council and West Devon Borough Council had attended the meeting as non-voting members and for the time being it was their wish to continue to attend meetings in that capacity but also as contributors to the discussions.
2. He requested that the issue of the timing of the annual special meeting of the Committee to sign off the Accounts and the Annual Governance Statement for 2019/20 be on agenda for the next meeting.

19. ANNUAL GOVERNMENT STATEMENT (00:05:07)

The Committee had before it, a report *from the Group Manager for Performance, Governance and Data Security presenting it with the finalised Annual Governance Statement and Action Plan and accompanying Corporate Governance Framework for 2018/19.

The contents of the report were outlined and following a review of the sources of assurance and evidence to support the AGS, it was the opinion of the Group Manager for Performance, Governance and Data Security that the Council's control environment was adequate during the 2018/19 financial year.

Whether or not principles within the AGS had been met were 'scored' with either a red or green coloured face. All red faces had been listed in the action plan and progress would be monitored throughout the year. Three items had been brought forward from last year.

Discussion took place with regard to:

- Levels of staff sickness had improved slightly.
- The Leaders annual report had not yet been reviewed by the Scrutiny Committee.
- The risks in relation to 3 Rivers Development Ltd had been revised within the Corporate Risk Register to reflect on-going concerns. The Council would be looking closely at how other local authorities were monitoring matters in relation to their wholly owned subsidiary companies. The Cabinet was also receiving regular update reports in relation to 3 Rivers and officers were working hard to mitigate all risks.

RESOLVED that the Annual Governance Statement be approved and that the Leader of the Council and the Chief Executive sign the Statement as per the statutory guidance.

(Proposed by the Chairman)

Note: * Report previously circulated; copy attached to the signed minutes.

20. STATEMENT OF ACCOUNTS 2018/19 (00:15:32)

The Committee had before it a report * from the Deputy Chief Executive (S151) presenting the final version of the annual Statement of Accounts to Members.

The Group Manager for Financial Services explained that the accounts were structured around the following primary statements:

- Income and Expenditure Statement
- Movement in Reserves
- Balance Sheet
- Collection Fund
- Group Accounts

Further explanation was provided as follows:

- The Income and Expenditure Statement was essentially a 'profit and loss' statement illustrating the net cost of services. There had been little change to the value of the council owned housing stock. There had been a reduction in rental income in Property Services and an increase in repairs and maintenance costs.
- Liabilities in relation to the Pension Fund had reduced by £630k. This was due to a number of assumptions one of which was that mortality rates had been reduced by a year. This had a knock on effect as to what the Council's liability was.
- Useable reserves had increased by £3.9m.
- Total reserves on the balance sheet had increased from £124m to £131m.
- There had been an increase in the long term debtor position as a result of providing five loans to 3 Rivers Development Ltd.
- The cash flow position was only ever a 'snap shot' in time.
- Most investments had been made on a short term basis rather than holding excess cash.

A positive and robust audit had taken place with no significant adjustments having to be made. The Council had been asked to expand upon some of its notes and had taken on some suggestions from the external auditors for the following year.

Discussion took place with regard to:

- What would lead the Council to use its reserves and what protections were in place to ensure they were not used in an unwarranted manner? It was explained that a lot of the Council's reserves were ring fenced and restricted in terms of what could be done with them, for example, S106 monies. It was an integral part of the Council's ethos to look for 'savings' rather than use reserves. A cautious approach was always employed, however, the Council

had to operate in an environment where it did not yet know the outcome of the Fair Funding Review from central government. However, sound investments had been made and the General Fund remained at the right level.

- Reference was made to Council's recent decision to aim to be carbon neutral by 2030. The question was asked as to how the Council would manage the risks in relation to this and the potential impact on its finances. It was explained that the Council had already introduced a number of energy saving schemes such as solar panels on its housing stock and property, renewable technology and biomass boilers. Consideration of the climate change declaration had been delegated to the Environment Policy Development Group and they would need to consider the impact on the Council's overall budget. Not everything would cost money, some schemes might actually save money.
- The need for a review of the glossary of terms and for this to be placed at the front of the report.
- There had been an increase in the income levels of the leisure centres, although, they were still making an operational loss. However, this needed to be viewed in the context of community health benefits.
- The remuneration of senior members of staff increasing with inflation and being part of a national framework.
- Long and short term investments and the returns in relation to both. Investments were made within the confines of the Treasury Management Strategy which was approved by the Cabinet on an annual basis.

RESOLVED that the Statement of Accounts for 2018/19 be approved (subject to the recommendations made by the external auditor) and that the letter of representation also be approved and signed.

(Proposed by the Chairman)

Note: * Report previously circulated; copy attached to the signed minutes.

21. **GRANT THORNTON AUDIT FINDINGS 2018/19 (00:55:30)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton summarising their findings following an audit of Mid Devon District Council's 2018/19 financial accounts.

The Associate Director from Grant Thornton stated that their report served two purposes, one was to provide a summary of their key findings and the other was to bring together their conclusions on the Council's wider responsibilities. She wanted to put on record her appreciation to the Deputy Chief Executive (S151) and his team for their support and co-operation during the audit.

The following was highlighted within their report:

- No adjustments had been requested which had affected the final reported position, however, there had been some minor issues with the disclosure of the financial instruments and group accounts.
- There were a couple of final items that they needed to receive one being the Letter of Representation following this meeting and a letter of assurance from the Devon Pension Fund. A 'subsequent events review' also needed to be

undertaken to check whether this affected the final reported position on the balance sheet ending 31 March 2019.

- A recent Court of Appeal decision was brought to the attention of the Committee in relation to a legal ruling around age discrimination for pension funds. However it was the Council's view that the impact of this ruling was not significant for Mid Devon District Council but would be considered for future years' actuarial valuations. Grant Thornton agreed that at this stage the impact did not appear 'material'.
- The action plan included some minor recommendations in relation to the coding of some income and the consolidation process used with regard to the Group Accounts.
- With regard to 'Value For Money' the external auditors had identified two significant risks, one around the Medium Term Financial Plan and the lack of clarity from central government and the second around risks in relation to 3 Rivers. They had been aware that the internal auditors had undertaken a review in this area and were comfortable that the arrangements in place to mitigate risks were adequate. However, the point was made that with the increasing level of activity in this area there needed to be clear linkages with the Council and its Treasury Management Strategy.

It was Grant Thornton's intention, subject to outstanding queries being resolved, to issue an unqualified opinion on the Council's financial statements. In relation to the 'Value for Money' (VFM) opinion it was stated that they were satisfied that the Council had proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources, except for the matter they had identified in respect of Group Governance. It was their intention therefore to propose a qualified 'except for' conclusion in relation to VFM.

Note: * Report previously circulated; copy attached to the minutes.

22. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:22:35)

In addition to the items already listed in the work programme for the next meeting it was also requested that 'Start time for the special meeting in 2020' be considered.

The Committee wished for their thanks and congratulations to be passed back to the Finance team who had worked hard to pull together such a good set of accounts.

(The meeting ended at 11.27 am)

CHAIRMAN

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