

## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 16 November 2021 at 5.30 pm

### **Present**

**Councillors** W Burke, Mrs C Collis, N V Davey,  
R F Radford, A Wyer and A Wilce

### **Apologies**

**Councillors** S J Penny and A White

### **Also Present**

**Councillors** L J Cruwys, R M Deed, R Evans, B A Moore and  
B G J Warren

### **Also Present**

**Officers** Paul Deal (Corporate Manager for Finance), Catherine Yandle (Operations Manager for Performance, Governance and Health & Safety), Paul Middlemass (Audit Manager), Kieran Knowles (Accountant), Sally Gabriel (Member Services Manager) and Sarah Lees (Member Services Officer)

### **Also in**

**Attendance** Julie Masci (Grant Thornton), Nick Sanderson (3 Rivers Development Limited) and John Riley (3 Rivers Development Limited)

## 38. **ELECTION OF CHAIRMAN**

The Chairman and Vice Chairman of the Audit Committee had sent their apologies for the meeting therefore there was a need to elect a Chairman from the floor for the purposes of this one meeting.

It was **RESOLVED** that Cllr A Wyer be elected Chairman for this meeting only.

## 39. **APOLOGIES**

Apologies were received from Cllr S J Penny who was substituted by Cllr R F Radford. Apologies were also received from Cllr A White.

## 40. **PUBLIC QUESTION TIME**

There were no members of the public present and none had registered to ask a question in advance.

## 41. **DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT**

No interests were declared under this item.

#### 42. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 21 September 2021 were confirmed as a true record and signed by the Chairman.

#### 43. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

#### 44. **3 RIVERS DEVELOPMENT LIMITED - BUSINESS PLAN 2022 - 2027 (00:05:00)**

The Committee had before it a report \* from the Deputy Chief Executive (S151) presenting a 5 year Business Plan for 3 Rivers Development Limited.

This report had principally been written to present to the Cabinet on 30 November 2021, however, the Scrutiny and Audit Committees had requested that they see it first. The Scrutiny Committee had received the report on 8<sup>th</sup> November and had made comments upon it. One of their recommendations had been that the Audit Committee consider the financial risks within the plan.

The Cabinet Member for Finance introduced the item stating that this was the start of the process for the Business Plan and that constructive financial pre-scrutiny was welcomed before it was presented to the Cabinet at the end of the month. He set out the journey that the Business Plan would then take. If approved by the Cabinet, the figures would be included within the budget papers presented to Council in February 2022. Following this each project would need to have a strong business case in order to proceed.

The Corporate Manager for Finance outlined the contents of the initial report. He highlighted the fact that an error had been identified within the table on page 13 of the agenda pack. The values in the columns had become out of sync and therefore the loan values had been overstated. Members had been sent a copy of the corrected table prior to the meeting and an update sheet showing the corrected table would be attached as an addendum to the minutes for the meeting.

The Chairman indicated that discussion with regard to this item, may require the Committee to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Committee would need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

**RESOLVED** that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information)

(Proposed by the Chairman)

Having considered the Business Plan, the Committee returned to open session and made the following recommendations to the Cabinet:

- a. That the language used within the Business Plan be written in such a way as to be as understandable as possible and that all acronyms used to be explained by way of a Glossary of Terms;
- b. That an external audit firm be appointed by the company to audit the company's financial statements;
- c. That the Cabinet continue to closely monitor the progress of the company's Business Plan reporting any areas of concern, particularly relating to lending, back to Council.

(Proposed by the Chairman)

Note: (i) \* Report previously circulated.

(ii) As the Scrutiny Committee had considered the Business Plan before the error in the table on page 13 of the agenda pack had been identified, it was agreed that the update sheet also be attached as an addendum to the Scrutiny Committee minutes of 8<sup>th</sup> November 2021.

#### 45. **PERFORMANCE AND RISK REPORT (01:14:00)**

The Committee had before it, and **NOTED**, a report \* from the Operations Manager for Performance, Governance and Health & Safety providing it with an update on performance against the Corporate Plan and local service targets for 2021-22 as well as providing an update on the key business risks.

It was highlighted that further information with regard to housing delivery and Freedom of Information requests had now been supplied within the report.

Discussion took place regarding:

- Private Sector Housing data presented in the report, whilst the comment was dated June 2021, it still reflected the current position.
- Electricity safety certificates were not required in the same way as gas safety certificates.
- There had been some slippage with regard to indicators in relation to incubator space and commercial land supply, however, it was explained that this had been due to staff within the Economic Development team being redeployed during the pandemic.

Note: \* Report previously circulated.

#### 46. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (01:22:00)**

The Committee had before it, and **NOTED**, a report \* from the Operations Manager for Performance, Governance and Health & Safety providing it with an update on progress made against the Annual Governance Statement 2020/21 Action Plan.

It was explained that the Annual Governance Statement, whilst approved at the previous meeting, would need to be signed alongside the approved accounts.

Regarding the Action Plan, work was ongoing and progress had been made on all the actions identified.

Note: \* Report previously circulated.

#### 47. **INTERNAL AUDIT PROGRESS REPORT (01:25:00)**

The Committee had before it, and **NOTED**, a report \* from the Devon Audit Partnership presenting a progress report on the internal audit function during the 2021/22 year so far.

It continued to be the case that the Head of Internal Audit's Opinion was one of 'Reasonable Assurance' on the adequacy and effectiveness of the Authority's internal control framework.

The following areas of work were summarised:

- Income Management - 3 recommendations had been made to tighten up controls.
- Corporate Plan – SPAR indicators had been assessed and 2 core recommendations made. There had been consideration as to whether the Corporate Plan was achieving its aims as well as assessing its improvement activities.
- Income Compensation Scheme – the auditors had concluded that they were content the figures stated had been reasonable.

A further update was included:

- Work had been undertaken with regard to counter fraud training.
- Work was being taken forward but audit resources were being constrained. However, new audit staff were being recruited.
- Outstanding audit recommendations would be more 'visible' in future audit progress reports.
- It was noted that out of the 13 outstanding audit recommendations, 1 was high and 12 were now medium.

Note: \* Report previously circulated.

#### 48. **STATEMENT OF ACCOUNTS 2020 / 2021 (01:30:00)**

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, highlighting any areas which had been amended since the draft accounts were published on the website and presented for external audit in July.

The Corporate Manager for Finance requested that the Statement of Accounts and Grant Thornton's Audit Findings report be taken as one item since they were so closely linked. This was agreed by the Chairman.

It was explained that there had been some minor changes to the draft Accounts previously reviewed by the Committee in July. Some were minor corrections to narrative, grammar and improving the explanation of the values within the Accounts. However, there was a change to the treatment of the upfront Pension Payment for the secondary contribution (deficit recovery payment). In the draft accounts, this had been treated as a prepayment as the payment covered the 3-years of this pension tri-annual valuation. However, in consultation with Grant Thornton, this had been amended and instead of being treated as a prepayment, it was now shown in the pension liability. In making this change, there had also been a change in the value of the pension charge to services for the year. Therefore, there were a number of minor movements in value throughout the accounts. These were highlighted in yellow to make their identification easy.

These alterations made no impact on the reported Outturn position or the Council's Usable Reserves.

Grant Thornton stated that the outstanding issues reported to the last meeting had now been resolved. All requested information had been received and corrections made where necessary. As such an unqualified opinion had been issued on the Council's financial statements.

It was further explained by the external auditors that:

- They had undertaken significant analysis in relation to the risks identified within the Group Accounts and how effectively the recommendations had been implemented with regard to 3 Rivers.
- They would be looking at the 3 Rivers Business Plan and how well it aligned with the Council's strategies.
- A Value For Money Opinion would be issued within 3 months and would be reported to the March Audit Committee.
- All adjustments within the Financial Statements had been processed hence the unqualified opinion.

Consideration was given to:

- What could be done to simplify the accounts and their presentation. It was explained that the Council had to follow the rules and regulations as specified by the statutory bodies, however, it had been acknowledged by the Redmond Review that there was a deal of complexity involved in the layout of local authority accounts which also impacted on the subsequent audit burden. A recommendation had been made by the Redmond Review to provide accounts at a simpler summary level going forwards. It was further explained that perhaps Members could receive more accounts training and better narrative provided by officers within the documents presented to them for approval.

The signatures required for the Accounts, Balance Sheet, Letter of Representation and the Annual Governance Statement were stated. It was confirmed that the formally appointed Chairman of the Audit Committee would be required as one of the signatories, not the Chairman appointed for the purposes of this meeting only.

The Corporate Manager for Finance thanked his team for their hard work and diligence in completing the accounts to time during a difficult set of circumstances. This was endorsed by the Committee.

**RESOLVED** that the annual Statement of Accounts for 2020/21 be approved and that the Letter of Representation be signed by the appropriate people.

(Proposed by Cllr N V Davey and seconded by Cllr A Wilce)

Reason for the decision:

There was a legal requirement to produce and publish audited accounts for the year to 31 March 2021 and for those accounts to be considered and approved by the Audit Committee.

Note: \* Report and Statement of Accounts circulated previously.

49. **GRANT THORNTON - AUDIT FINDINGS 2020 / 2021**

Consideration of Grant Thornton's audit findings had taken place in conjunction with the previous agenda item.

50. **PSAA EXTERNAL AUDIT ARRANGEMENTS (01:52:00)**

The Corporate Manager for Finance provided a verbal update with regard to the PSAA external audit arrangements. This included the following information:

A decision would be needed by the Council with regard to whether it wanted to seek external auditors itself or whether it wanted to opt into a PSAA exercise by March 2022. Based on price, ease of administration and the PSAA overseeing the procurement exercise, it was anticipated that the recommendation to Council would be to pursue the PSAA option. If this was to be the case and Council approved the recommendation the contract length would be 5 years with an option to extend for a further 2 years. PSAA would place an emphasis on 'quality audits' which were timely and provided social value. As a result of this, it was anticipated that there would be an inevitable rise in the audit fee level.

A report and recommendation would come to the next Audit Committee meeting which would need to make a subsequent recommendation to full Council.

51. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:59:00)**

No further items were requested for the next meeting other than those already listed in the work programme.

(The meeting ended at 7.30 pm)

**CHAIRMAN**