

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 18 September 2018 at 5.30 pm

Present

Councillors

R Evans (Chairman)
Mrs J B Binks, T G Hughes, R F Radford and B A Moore

Apologies

Councillors

Mrs C Collis, R M Deed and L D Taylor

Also in

Attendance

Andrew Davies (Grant Thornton)

Present

Officers

David Curnow (Deputy Head of Devon Audit Partnership),
Joanne Nacey (Group Manager for Finance), Catherine Yandle
(Group Manager for Performance, Governance and Data
Security) and Sarah Lees (Member Services Officer)

28. **APOLOGIES**

Apologies were received from Cllr Mrs C A Collis, who was substituted by Cllr B A Moore, Cllr R M Deed and Cllr L D Taylor.

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

There were no interests declared under this item.

30. **PUBLIC QUESTION TIME**

There were no members of the public present.

31. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 16 July 2018 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

32. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had the following announcements to make:

- a) He reminded the Committee that there would be an all Member briefing on the 3 Rivers Development Company on 4th October 2018. As the original request for this to take place had arisen at the previous Audit Committee, he hoped all Members of the Committee would be able to attend.
- b) The Committee had previously asked him to write to the Cabinet about concerns regarding Development Control performance targets. He had done this and had received a reply from the Head of Planning and Economic Regeneration which was copied to Committee Members. He had subsequently met with the Cabinet Member and had discussed the concerns he had

received from elected colleagues. He informed the Committee that he was due to have a meeting with the Leader, the Deputy Leader and the Chief Executive tomorrow morning after which he would report back to the Committee.

- c) He had spoken to the Deputy Chief Executive (S151) regarding the Devon Audit Partnership (DAP) fraud assurance service. He would keep the Committee updated on developments since assurance in this area was vital.
- d) He reminded the Committee that Grant Thornton would be providing training sessions for Audit Committee members on 15/16 October. He would be attending the event at Buckfast Abbey on 16 October. He encouraged all Members of the Committee to attend if able to.

33. PERFORMANCE AND RISK FOR 2018-19 (00:06:12)

The Committee had before it, and **NOTED**, a report * from the Director of Corporate Affairs & Business Transformation providing Members with an update of performance against the Corporate Plan and local service targets for 2017-18 as well as providing an update on the key business risks.

The contents of the report were outlined and discussion took place regarding:

- Data in relation to the number of empty shops had been incomplete when the report had been published. The Chairman had asked the Economic Development Manager to provide up to date information. The reply had been as follows: "SPAR has now been updated with July's figures. Tiverton there was a slight drop to 21 vacant units from 22 making the vacancy rate 9.0% with Crediton staying the same at 8.5%, and Cullompton at 8.2% as already recorded". The question was asked as to what more could be done to limit the number of empty shops in each of the towns. It was explained that initiatives such as the Tiverton Town Centre Masterplan might go some way towards addressing this but the Council was somewhat limited as to what it could do since many of the shops were owned by private individuals or companies.
- There was some business rate relief available for smaller businesses.
- It was noted that the targets in relation to social media outputs had been exceeded.
- The Chairman had also requested that the Group Manager for Public Health and Regulatory Services provide a management note in relation to compliance with food safety law. This had been copied to members of the Committee and was as follows: "The reduction to 85% compliance is a statistical issue. The cycle of inspection and interventions has meant a 3-yearly review of the lowest category risk premises has been completed this financial year. This has resulted in a number being identified as no longer active/preparing food and require deregistration. Such low-risk premises (e.g. village halls/pre-prepared food) have the most straight-forward compliance targets and typically score above 90% as a result. Having fewer such premises means the overall % compliance across the district is now lower. The higher risk premises are still performing as before and the number of food retail premises scoring 4 or 5 on Scores-on-door remain unaffected".
- The requirement to respond to FOI requests was compulsory but the substantial costs in terms of staff resource was noted.
- Performance and Risk was monitored by Leadership Team on a monthly basis.

- The Committee expressed its concerns regarding the continued inability to demonstrate the required 5 year housing land supply until the Local Plan had been approved. It was commented that the increase in the buffer zone from 5% to 20% was incredibly impactful on communities.

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

34. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:23:22)**

The Committee had before it, and **NOTED**, a report * from the Group Manager for Performance, Governance and Data Security providing it with an update on progress made against the Annual Governance Statement 2017/18 Action Plan. It was explained that the all 'Members Away Day Budget presentation' had taken place in accordance with the date identified in the action plan. Those Members who had attended the event provided positive feedback in relation to this; they thought it had been well led but were not convinced they had achieved the budget prioritisation the day had originally intended to achieve. It was felt that some Members had not understood the purpose of the day although this had been communicated by the Deputy Chief Executive (S151) beforehand. The Chairman reminded Members that officers needed greater and more sustained input from Members if solutions regarding financial pressures were to be practically addressed in the future.

Further consideration was given to the following:

- The software system in relation to S106 agreements was now ready to be implemented.
- A training programme for managers in relation to managing sickness absence had commenced.

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

35. **INTERNAL AUDIT PROGRESS REPORT 2018-19 (00:31:00)**

The Committee had before it, and **NOTED**, a report * from the Head of the Devon Audit Partnership reviewing the progress and performance of Internal Audit.

The following was highlighted within the report:

- No major issues had been identified within the core audits.
- Risk based audits had identified that effective controls were operating.
- A new service was available to provide assurance in the counter fraud area.
- Positive feedback had been received from audit clients in regard to audits that had taken place.
- 85% of the audit plan would still be delivered despite a key member of staff being on maternity leave for the first half of the year, there would be an opportunity to catch up when the member of staff returned to work in November. The Committee were reassured that all audits in the highest risk areas would be completed.

Discussion took place regarding:

- The Waste Management area was performing well in terms of achieving income targets however, whilst the chargeable garden waste scheme currently operated adequately there were some areas of the administrative process that required improvement to ensure greater efficiency.
- It was noted that the controls around the recruitment and selection policy were generally working well.
- It was also noted that the Corporate Equality Forum had not met for some time, however, the Group Manager for Performance, Governance and Data Security informed the Committee that she had already had a meeting with the Communications Manager and was due to attend the Equality Forum at Devon County Council in November.
- It was noted that the number of completed audit recommendations had risen from 67% to 75%.
- The long overdue recommendation in relation to 'Standby' would be dealt with as a matter of urgency and the Chairman was confident it would not appear at the next meeting.
- Whilst the year indicated for the Development Management S106 outstanding recommendation was stated as 2017 the Chairman stated that this audit had not been reported to the Audit Committee until May 2018 therefore the length of time this 'appeared' to be outstanding was misleading.
- The Deputy Head of the Audit Partnership was complimented on the style and format of the report.

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

36. **EFFECTIVENESS OF THE AUDIT COMMITTEE - SELF-ASSESSMENT (00:47:25)**

The Committee had before it a report * from the Audit Manager considering the Chartered Institute of Public Finance and Accountancy (CIPFA) self-assessment checklist for Audit Committees. This was designed for Members to acknowledge their performance in their role as the Audit Committee against the CIPFA checklist and to decide in which areas they have evidence of their effectiveness and which areas they would suggest could be developed further.

The CIPFA Position Statement listed core areas that needed to be addressed by an Audit Committee's Terms of Reference. One of these related to the 'Assurance framework including partnerships and collaboration arrangements'. The TOR's within the Council's Constitution in relation to the Audit Committee did not currently say this, however, the AGS referred to 'Monitoring Reports from Key Partnerships and other External Bodies'. The Audit Charter and Strategy referred to 'Audit Partnership in support of the assurance framework.

Another core area related to 'Supporting the ethical framework'. Currently the TOR did not say this, however, DAP has taken Ethics and Values internal audit reports to the Audit Committee and the AGS has a section – 'Demonstrating strong commitment to ethical values'.

Therefore:

It is **RECOMMENDED** that the TOR of the Audit Committee be amended to include:

- i. Other assurance bodies including partnerships and collaboration arrangements.
- ii. Ethical framework

(Proposed by the Chairman)

Consideration was given to the remaining suggested actions within the report:

- Specific wider areas mentioned in the CIPFA Position Statement included Treasury Management and the requirement for all local authorities to make arrangements for the scrutiny of this. Treasury Management reports were currently referred directly to the Council's Cabinet. CIPFA guidance suggested that further assurance regarding a Council's Treasury Management arrangements would be provided if an Audit Committee had sight of them first and then made a recommendation to the Cabinet. With the agreement of the Committee, the Chairman stated that he would seek the opinion of the Chief Executive, the Leader and the Deputy Chief Executive (S151) in relation to this as a proposal for suggested change. He would update the Committee once he had heard back from them and ensure that an item was placed on the agenda for the next meeting to formally acknowledge the preferred option in relation to this.
- Regarding the suggestion to 'Complete the Skills Self-Assessment and identify training needs', the Committee felt that as there were only three meetings remaining before the election in May next year, therefore the issue of training ought to be deferred until the new Committee was in place.
- It was **AGREED** that the Committee would undertake a review of how it 'added value' to the Council and whether it could improve on any areas of weakness as part of its on-going work programme.

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

37. **AUDIT PROGRESS REPORT AND SECTOR UPDATE FROM GRANT THORNTON (01:08:35)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton providing it with an update on progress in delivering their responsibilities as the Council's external auditors.

The following was highlighted within the report:

- They were due to start planning the 2018/19 external audit and a rough indicative plan was included within the report.
- Since the last meeting they had signed off the HCA compliance audit.
- They had finished the first part of the Housing Benefit testing, however, they had identified two errors and further work would be required.

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

38. **ANNUAL AUDIT LETTER FROM GRANT THORNTON (01:11:52)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton summarising the key findings arising from the work that they had carried out at the Council and its subsidiary for the year ended 31 March 2018. It was explained that this was the public facing document and confirmed their unqualified opinion on the financial statements and value for money.

Consideration was given to the following:

- Risks identified in their audit plan specifically those in relation to the Council's housing company arrangements. It was confirmed that whilst Grant Thornton did not specifically audit the 3 Rivers Development Company, they did review its accounts as part of the consolidated financial statements of the authority. Up until now the figures in relation to 3 Rivers had not been significant enough to trigger a full external audit, however, this might change in the future. It was stated that the Committee should be reassured that one of the Directors of the company was also the Deputy Chief Executive (S151) and therefore fully conversant with the financial arrangements and undertook regular budget monitoring.
- There would always be risks involved in the valuation of property, plant and equipment since this involved estimation and actuarial assumptions. These risks would be identified in the findings of all local authorities.

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

39. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:24:08)**

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

(The meeting ended at 6.57 pm)

CHAIRMAN