

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 19 March 2019 at 5.30 pm

Present

Councillors

R Evans (Chairman)
Mrs C Collis, R M Deed, T G Hughes, R F Radford and
B A Moore

Apologies

Councillors

Mrs J B Binks and R Wright

Also Present

Councillor

C J Eginton

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)

Also in

Attendance

A Davies (Grant Thornton)

67. **Apologies**

Apologies were received from Cllr Mrs J B Binks who was substituted by Cllr B A Moore and apologies were also received from Cllr R Wright.

68. **Declaration of Interests under the Code of Conduct**

No interests were declared under this item.

69. **Public Question Time**

There were no members of the public present.

70. **Minutes of the previous meeting**

The minutes of the meeting held on 22 January 2019 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

71. **Chairman's Announcements**

The Chairman had the following announcements to make:

- This was the last meeting of the Audit Committee in the four year cycle of this Council.

- He and Cllr R M Deed had attended a Devon Audit Partnership (DAP) meeting on 11 March. He stated that an invitation had been extended to South Hams District Council and West Devon Borough Council to join the partnership as non-voting members. They were a shared authority who shared internal audit staff and they welcomed an opportunity to share in the discussions. It was recommended that their first year of attendance be on a trial basis to see if they wanted to join formally as voting members in 12 months' time.

72. Performance & Risk (00:04:10)

The Committee had before it, and **NOTED**, a report * from the Director of Corporate Affairs & Business Transformation providing Members with an update on performance against the Corporate Plan and local service targets for 2018-19 as well as providing an update on the key business risks.

It was stated that, regarding the Corporate Aim: **Build more council houses:** for Palmerston Park, handover of 12 units on practical completion due in March 2019 was no longer required with handover of all 26 units now due by August 2019.

Discussion took place regarding:

- The risks identified in the Risk Register as being 'High' and 'Very High'. This was particularly in relation to the 3 Rivers Development Company arrangements. It was explained that whilst independent advice had been sought and assurance received regarding the disclosure requirements, governance arrangements and the loan from MDDC, it was still correct to keep the risk severity as 'Very High' and for further in depth reviews to be undertaken by both the internal and external auditors.
- The target in relation to 'Bringing empty homes back into use' had been 72 for the year; this had been significantly exceeded with the current figure being 134. The Private Housing Sector team were congratulated.

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

73. Progress update on the Annual Governance Statement Action Plan (00:21:40)

The Committee had before it, and **NOTED**, a report from the Group Manager for Performance, Governance and Data Security providing the Committee with an update on progress made against the Annual Governance Statement 2017/18 Action Plan.

It was confirmed that any outstanding issues at the year-end would be carried forward into the Annual Governance Statement for 2018/2019.

Consideration was given to a number of target action dates being moved on especially in relation to the Developmental Control legacy systems and the Skills Audit. Explanations were provided as to why this was, however, there was some concern that the length of time between the original target date and the now amended date appeared to be significantly 'fluid'.

The Committee felt it was very helpful to be able to see the tracked changes in the document and thanked the officer.

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

74. **Risk and Opportunity Management Strategy (00:24:58)**

The Committee had before it a report * from the Group Manager for Performance, Governance and Data Security presenting it with the updated Risk & Opportunity Management Strategy for approval.

The following was highlighted within the report:

- Only risks scoring 10 and above were reported to the Committee and no change was proposed to this.
- The proposed financial thresholds within the revised risk scoring guidance were now more in line with the Financial Regulations.

Concern was expressed regarding missing review notes especially in relation to high scoring risks. The question was asked as to how Members could receive assurance that a risk had been reviewed if there was no review note. It was confirmed that if a risk had not been reviewed it would not have a coloured score on the report. It was felt that it was imperative to have a review note in all cases and that this be fed back to the Leadership Team. The Group Manager for Performance, Governance and Data Security explained that section 5.9 within the revised strategy did now state that Leadership Team and Members expected to see up to date and relevant review notes on all risks reported to Committee but she would also remind Group Managers.

RESOLVED that the updated Risk & Opportunity Strategy be approved subject to the removal of the words 'if necessary' from the second paragraph of section 5.4.

(Proposed by the Chairman)

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

75. **Internal Audit Progress Report 2018 - 2019 (00:40:46)**

The Committee had before it, and **NOTED**, a report from the Deputy Head of the Audit Partnership providing an update on work within the Internal Audit area.

It was stated that, overall, based on work performed during 2018/19, the Head of Internal Audit's opinion continued to be one of 'Significant Assurance' on the adequacy and effectiveness of the authority's internal control framework.

Consideration was given to the following within the report:

- Customer satisfaction rates being above target.
- Work in relation to the Council being PCI compliant (Payment Card Industry) and the protections in places for customers making on line payments.
- The Council was still receiving payments by cheque approximately 20 times per month, however, customers paying in this way would be written to and informed that the Council sought alternative methods of payment, such as payment by cash through the kiosk in reception.

- Generally it was felt that the situation regarding outstanding audit recommendations had improved significantly over recent years due to a number of factors such as a change in management structure and a different emphasis entirely. However, there were still some recommendations outstanding from 2015. The view was expressed that if they had not been actioned by now they probably wouldn't be and therefore they should be removed.
- Any actions resulting from the recent business continuity exercise needed to be updated within the report.

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

76. **Internal Audit Charter and Strategy 2019 / 2020**

The Committee had before it a report * from the Audit Team Manager presenting the Committee with the Internal Audit Charter and Strategy for effective operation of the internal audit service. This set out the terms of engagement and the methodology involved.

RESOLVED that the Internal Audit Charter & Strategy for 2019/20 be approved.

(Proposed by the Chairman)

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

77. **Internal Audit Plan 2019 / 2020**

The Committee had before it, and **NOTED**, a report * from the Deputy Head of the Audit Partnership presenting the proposed internal audit activity for the year and an outline scope of the coverage.

The following was highlighted within the report:

- Audit needs had been discussed with management and the cyclic plan updated to take in this wider risk based remit.
- Key risks had been identified with Directors, with a key focus on, corporate responsibility in relation to safeguarding, key developments, commercialisation, information governance and cyber security.
- The report showed the rolling plan up until 2022/2023 where there would be a continued focus on financial security.
- Assessing the Risk Register was a key factor in assigning the number of days to audits.

RESOLVED that the Internal Audit Plan for 2019/2020 be approved.

(Proposed by Cllr T G Hughes and seconded by Cllr R M Deed)

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

78. External Audit Progress Report and Sector Update (01:08:00)

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

The following was highlighted within the report:

- Progress on the overall audit and the results of the interim audit undertaken in February 2019.
- A survey would be issued to Grant Thornton's clients in the autumn of 2019 requesting feedback on their performance.
- Some early substantive testing had been undertaken ahead of year end and an analysis made of the Medium Term Financial Plan and the assumptions underpinning that. No areas of concern had been brought to light thus far in the process.
- Work on the pooling of capital receipts had also been completed.

It was requested that consideration be given to providing Members with a briefing on the Council's response to the Financial Resilience Index consultation stated within Grant Thornton's report.

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

79. Chairman's Annual Report for 2018/19

The Committee had before it, and **NOTED**, a draft report * by the Chairman of the Committee, a final copy of this report would be submitted to Council on 24 April 2019.

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

80. Identification of items for the next meeting

In addition to the items already identified in the work programme for the next meeting it was requested that the following be added to the agenda:

- Annual Governance Statement Outturn report
- Internal Audit Progress Outturn report for 2018/2019

(The meeting ended at 6.47 pm)

CHAIRMAN