

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 29 May 2018 at 5.30 pm

Present

Councillors

R Evans (Chairman)
Mrs J B Binks, Mrs C Collis, R M Deed, T G Hughes,
R F Radford and L D Taylor

Also in

Attendance

G Daly and A Davies (Grant Thornton)

Present

Officers

Andrew Jarrett (Director of Finance, Assets and Resources),
Catherine Yandle (Group Manager for Performance,
Governance and Data Security), Joanne Nacey (Group Manager
for Finance), David Curnow (Deputy Head of Devon Audit
Partnership), Rob Fish (Principal Accountant) and Sarah Lees
(Member Services Officer)

1. **ELECTION OF CHAIRMAN (CHAIRMAN OF THE COUNCIL IN THE CHAIR)**

RESOLVED that Cllr R Evans be elected Chairman of the Committee for 2018/19.

Cllr Evans then took the chair.

2. **ELECTION OF VICE CHAIRMAN**

RESOLVED that Cllr Mrs C A Collis be elected Vice Chairman of the Committee for 2018/19.

3. **APOLOGIES**

There were no apologies for absence.

4. **PUBLIC QUESTION TIME**

There were no members of the public present.

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

There were no interests declared under this item.

6. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 20 March 2018 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

7. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had the following announcements to make:

- a) There was a need to re-elect two members of the Committee to the Devon Audit Partnership. It was agreed that Councillors R Evans (as Chairman of the Committee) and R M Deed be the Committee's representatives.
- b) There would be a Special Meeting of the Committee on Monday 16th July 2018 to sign off the Annual Governance Statement and the Financial Accounts. The scheduled meeting for 24th July would now be cancelled.
- c) There would be a briefing on the Annual Governance Statement to the Committee on Tuesday 19th June at 5.30pm. It was expected that comments made by the Committee would be incorporated into the finalised version of the AGS report presented to the Committee on 16th July 2018.

8. PERFORMANCE AND RISK FOR 2017/18 (00:10:45)

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 2017/18 as well as providing an update on the key business risks.

Discussion took place with regard to the following:

- The figure showing for the actual number of affordable homes delivered should have stated 115 and not 92 as was stated in the report.
- There had been 7 outstanding gas safety certificates as at the end of March 2018.
- Poor weather had caused a delay in the completion of the Palmerston Park and Birchen Lane developments.
- A previous request to provide specific information in relation to trade waste had been passed on to the relevant service area but the requested data was not routinely collected, however, it was possible to provide information in relation to how many businesses had their waste recycled. It was suggested that any queries relating to this area be addressed directly to the Group Manager for Street Scene and Open Spaces since such commercial information was highly sensitive in nature.
- The annual cost of providing a waste service to each household was below target for the year and the Committee wished for its congratulations to be passed on to the Waste and Recycling team.
- The Economic Development team were working hard to address the increasing number of empty shops within the three major towns.
- The 'Scores on the Doors' scheme had shown some improvement in the rating scheme bandings.
- A target of 60% had been set for determining major planning applications within 13 weeks, however the actual outturn figure was 83%. It was suggested that a more realistic target needed to be set and that this needed to be looked at.
- It was also noted that the number of days lost due to sickness was showing as 8.82 and it was felt that this was disappointing given that in the private sector the average figure was 4.3 per person. The Director of Finance, Assets and Resources stated that he would take the Committee's comments back to the Leadership Team and provided reassurance to the Committee that an action plan had been put in place to try and bring that figure back to target.
- The Risk Appendix showed that there were 8 high risks and 3 of these did not have a manager's note against them. It was requested that all high risk items

have an explanatory note providing clarity as to the issues involved and the action being taken to resolve them.

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

9. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:30:30)**

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 2016/17 action plan.

Discussion took place regarding:

- Any outstanding items in the action plan would be brought forward into 2018/19. Most items had been completed, some had not and one was not due.
- The Staff Charter had now been formally launched.
- The new Learning and Development system had not included the ethics module that had been hoped for. This would have to be written in-house and would be an action listed in the AGS action plan for 2018/19.

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

10. **INTERNAL AUDIT ANNUAL REPORT 2017/18 (00:35:42)**

The Committee had before it and **NOTED** a report * from the Audit Manager updating it on the work performed by Internal Audit during the 2017/18 financial year as required by the Public Sector Internal Audit Standards.

The officer outlined the contents of the report with particular reference to the following:

- This report should be used by the Committee as one of the strands of assurance to consider alongside the Annual Governance Statement when receiving the final version on 16th July 2018.
- Overall, based on work performed during 2017/18 the Head of Internal Audit's Opinion was of 'Significant Assurance' on the adequacy and effectiveness of the Authority's internal control framework. This meant that the risk management and the system of internal control were generally sound and designed to meet the organisations objectives. However, some weaknesses in design and/or inconsistent application of controls did not mitigate all risks identified putting the achievement of particular objectives at risk.
- The plan of work had changed through the year as a result of changing priorities.

Consideration was given to risks identified in relation to the Development Control area. A project to address this was ongoing through the use of specialised software, although populating the system was time consuming and complex. The current position was being closely monitored by senior management and additional

temporary staff engaged to clear the backlog. It was **AGREED** that an update on this situation be brought by the Service Manager to the next meeting.

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

11. MEETING MANAGEMENT

The Chairman stated that he would take item 12, 'Update on outstanding audit recommendations' as the next item of business to be followed by the draft Annual Accounts.

12. UPDATE ON OUTSTANDING AUDIT RECOMMENDATIONS (00:48:06)

The Group Manager for Financial Services provided the Committee with an update regarding outstanding internal audit recommendations. She stated that she had met with the Deputy Head of Internal Audit and the Group Manager for Performance, Governance and Data Security to assess the best way of resolving outstanding issues. They were hoping to bring these issues to the attention of Leadership Team on a regular basis. The Director of Finance, Assets and Resources reiterated that this would become a standing item on the Leadership Team agenda. The profile with regard to outstanding recommendations had been raised and simply doing 'nothing' about them was no longer an option and would not be tolerated.

It was stated that more information would be forthcoming on this matter at the next meeting.

The Chairman stated that the situation had very much improved in the last 2 years but that officers now needed to focus their attention on the medium risks as well as the high risks and the Committee would continue to take a keen interest in this.

13. DRAFT ANNUAL REPORT AND ACCOUNTS 2017/18 (00:52:25)

The Committee had before it a report * from the Director of Finance, Assets and Resources presenting the draft annual report and accounts.

The following was highlighted within the report:

- The external auditors had commenced their audit on the accounts today.
- The draft accounts needed to be signed by the Section 151 officer and could then be available for inspection by the public as from 31st May 2018.
- Financial Services were confident that they could meet the deadline of 31st July for signing off and finalising the accounts, in fact a special meeting for 16th July to do this had been arranged.
- The Group Manager for Financial Services took the Committee through each of the Primary Statements which included:
 - **Movement in Reserves Statements** – the total of the Council's useable reserves had increased as well as Earmarked Reserves and Capital Receipts.
 - **Comprehensive Income and Expenditure Statement** – HRA net expenditure had reduced. The Pension Fund assumptions had reduced by £21m but this had not had a significant effect on the deficit.

- **The Balance Sheet** – long term borrowing had reduced and there were reduced pension fund liabilities.
 - **Cash Flow Statement** – cash and cash equivalents at the end of the financial were showing as having increased.
- During the compilation of the 2017/18 Statement of Account, the Council discovered that the advice previously received from External Auditors in relation to the classification of the CCLA Fund investment as ‘Cash and Cash Equivalents’ was not consistent with the treatment by other authorities and was contrary to the Council’s own accounting policies. Following discussions with the External Auditors it was felt that the correct classification for the CCLA Fund was as a long term investment rather than ‘Cash and Cash Equivalents’ as previously reported.
 - The HRA continued to perform well. This had been due in part to the significant upward valuation of properties in the previous financial year.
 - Council Tax was in line with last year’s position.
 - Collection of Business rates was going well and the Council would be a pilot for the 100% retention of these in the current year.
 - The Committee were taken through the Group Accounts for the 3 Rivers Development Ltd which was a wholly owned subsidiary of the Council.

The Committee thanked the Group Manager for Financial Services for her thorough and understandable explanation of the accounts.

RESOLVED that the draft annual report and accounts be approved.

(Proposed by the Chairman)

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

14. **EXTERNAL AUDIT PROGRESS REPORT & UPDATE (01:18:05)**

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 Engagement Lead from Grant Thornton explained that they had just started the audit and would be continuing on site for the next three weeks. Currently their work was on track and they would continue to focus on areas of risks such as the arrangements to secure ‘Value for Money’ and the 3 Rivers Development Ltd. They were confident that they would be able to deliver their opinion on the Council’s accounts at the special meeting planned for 16th July 2018.

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

15. **GRANT THORNTON - 2018/19 FEE LETTER (01:20:25)**

The Committee had before it, and **NOTED**, the annual fee letter * from Grant Thornton. This provided information in relation to the costs that would be incurred as a result of their planned audit for 2018/19.

The Chairman enquired as to why the fee relating to grant work, including housing benefit certification was not included as it had been in the previous financial year. It was explained that from 2018/19 this area of work now fell outside of the Public Sector Audit Appointments contract and was a separate appointment.

16. **START TIME OF MEETINGS (01:23:25)**

It was **AGREED** to continue to hold meetings of the Committee at 5.30pm on Tuesday evenings.

17. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:24:14)**

In addition to the items listed in the work programme it was requested that the following be on the agenda for the next meeting:

- Update on outstanding audit recommendations
- Update on the audit recommendation for Development Control

(The meeting ended at 7.00 pm)

CHAIRMAN