

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 16 July 2018 at 10.00 am

Present

Councillors

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

Apologies

Councillor(s)

Mrs J B Binks and L D Taylor

Also Present

Councillor(s)

P H D Hare-Scott

Also in

Attendance:

G Daley (Grant Thornton)

Also Present

Officer(s):

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), Rob Fish (Principal Accountant) and Sarah Lees (Member Services Officer)

18. APOLOGIES

Apologies were received from Cllr Mrs J B Binks who was substituted by Cllr B A Moore. Apologies were also received from Cllr L D Taylor who was substituted by Cllr F W Letch.

19. DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT

There were no interests declared under this item.

20. PUBLIC QUESTION TIME

Mr Nick Quinn, a local resident, stated that he would like to ask a question concerning item 7, specifically the Statement of Accounts. In the Statement of Accounts, for the year ended 31 March 2018, on page 39 at point 30, you provide details of short and long term borrowing. You provide a list showing, the amount borrowed, the term, the % rate and the date of maturity. Similar information is provided for short term lending elsewhere. On page 25 at point 16, in the last paragraph you state that in 2017 a loan of £750,000 was made to 3 Rivers and will be repaid on a 'commercial basis'. I should like to ask, what was the actual date of the loan? Also, in relation to this loan, please can you provide me with the same information that is provided for borrowing, namely, what was the agreed term? What was the agreed % rate? What is the maturity date?

The Chairman stated that the questions would be answered when the item was discussed.

21. **CHAIRMAN'S ANNOUNCEMENTS (00:05:29)**

The Chairman had the following announcement to make:

- He and Cllr Deed had attended the first DAP meeting of the new municipal year. Due to the rotation of Chairs and Vice Chairs amongst the various local authorities in attendance it would be the turn of the Cllr B Evans to be the Vice Chairman next year. They had received an interesting presentation on fraud prevention and he had been able to feedback on this to the Deputy Chief Executive (S151) and he would discuss this with the DAP audit team in due course.

22. **MINUTES OF THE PREVIOUS MEETING (00:08:40)**

The minutes of the meeting held on 29 May 2018 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

23. **ANNUAL GOVERNANCE STATEMENT FOR 2017/18 INCLUDING THE CORPORATE GOVERNANCE FRAMEWORK (00:09:10)**

The Committee had before it a report * from the Group Manager for Performance, Governance and Data Security presenting the Committee with the finalised Annual Governance Statement and Action Plan and accompanying Corporate Governance Framework for 2017/18.

It was explained that comments made by the Committee during a recent briefing had been included as tracked changes within the draft document. One of these changes had included making ethics awareness training a part of the induction process for both Members and staff. An assurance on this had come from the Monitoring Officer who had confirmed that she provided this to all new Members.

Brief discussion took place with regard to:

- The Asset Management and Capital Plan which could be found on the website.
- How accessible the 3 Rivers business plan was to Members.
- A better understanding of the 3 Rivers management arrangements, the shareholders agreement.
- The Medium Term Financial Plan was presented annually to the Cabinet in October.

It was **AGREED** that an all Member briefing on the 3 Rivers Development Ltd company be held to aid Members understanding on the issues and implications involved.

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.

24. ANNUAL REPORT AND ACCOUNTS FOR 2017/18 (00:16:49)

The Committee had before it a report * from the Deputy Chief Executive (S151) presenting the final version of the annual report and accounts to Members, highlighting any areas which had been amended since the accounts had been presented to the Audit Committee in May.

The Group Manager for Financial Services explained that the accounts had been subjected to a robust audit and only 2 amendments had been identified:

- a) Upon review, Grant Thornton had identified that due to the complexity of the Council's Fixed Assets computations, there had been an omission to depreciate seven assets, therefore understating depreciation by £52k. This error had been amended in the accounts. There was no impact on the Balance Sheet or the overall value of the Council's assets as this depreciation was negated by the end of year revaluation exercise.
- b) The Accounts team had also amended the classification of the land owned by 3 Rivers Ltd from Assets under Construction to Work in Progress (WIP). This could be seen in the Group Accounts section. Again this had had no impact on the "bottom line".

In response to the questions raised in Public Question Time, the Deputy Chief Executive (S151) stated that the amount borrowed had been £750k. The commercial rate of interest was 4.5% above base rate. The maturity date hadn't been agreed yet but was expected to be around 18 months to 2 years, however, until the properties had been built and sold it was difficult to be exact on timescales.

In terms of the date of the loan the Deputy Chief Executive (151) requested that he come back to Mr Quinn by email as he did not have the information with him for the meeting. Cllr R M Deed requested that he receive a copy of the loan agreement. Cllr F W Letch requested that he receive a list of the proposed residential developments referred to in the narrative report from the Deputy Chief Executive (S151) on page 45 of the report. It was reiterated that these and other questions could be addressed in an all Member briefing on 3 Rivers Development Ltd. The Deputy Chief Executive (151) requested that he receive questions in advance from Members.

Discussion followed with regard to:

- Whether consideration was being given to the acquisition of property in towns or parishes outside of Tiverton. The Deputy Chief Executive (S151) confirmed that recent acquisitions had come about as a result of circumstance, the capital programme moved forward based upon the best business case at the time.
- A question that had been asked at the Environment Policy Development Group regarding the properties bought three years ago in Tiverton. The question asked was what was the capital value compared with the purchase

price of these properties? The Deputy Chief Executive (151) assured the Member asking the question that he would receive a response.

RESOLVED that the annual report and accounts for 2017/18 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.

25. **GRANT THORNTON AUDIT FINDINGS 2017/18 (00:31:48)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton summarising their findings following an audit of Mid Devon District Council's 2017/18 financial accounts.

Subject to outstanding queries being resolved the external auditors anticipated issuing an unqualified audit opinion following this meeting. Outstanding issues included:

- Conclusion of the ongoing review of the classification of the Premier Inn lease.
- Completion of the Whole of Government Accounts review.
- Receipt of confirmation from the District Valuer regarding qualifications and independence as well as the appropriateness of the 35% social housing factor.
- Receipt of the Letter of Representation.
- Final review of the financial statements.

The Value for Money opinion was expected to be unqualified and would be concluded that afternoon.

Consideration was given to the categorisation of leased land to third parties which was complex and needed thorough review. The external auditors were satisfied that the Council had categorised the lease of the land to the Premier Inn correctly but this had involved detailed work and the analysis of legal documents. It was recognised that as councils continued to exercise their powers in this area it would be an ongoing piece of work for external auditors as part of their annual audit.

It was confirmed that the items listed in the action plan would be tracked, followed up and monitored by the Leadership Team and Finance. The Audit Committee was the also the correct forum to keep a close eye on the issues identified.

The Committee wished to pass on its thanks to Grant Thornton for the complex work they had undertaken on behalf of the Committee.

The Cabinet Member for Finance also wished for his thanks to be passed on the Finance team. He stated that he hoped all Members would get involved with the budget setting process for next year. It was also quite right to be raising questions regarding 3 Rivers Development Ltd and that through analysis be made before the Council invested in anything to ensure minimum risk.

The Chairman stated that he would be personally writing to each member of the finance team to thank them for their hard work and efforts in creating a finalised set of accounts.

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

26. **UPDATE ON OUTSTANDING AUDIT RECOMMENDATIONS (00:49:45)**

At the previous meeting the Committee had requested that they receive an update in relation to the recommendations made in the internal audit for the Developmental Control Area. The Group Manager for Developmental Control made reference to the response from the Head of Planning, Economy and Regeneration where the recommendations had been addressed. This response had been attached to the agenda for the meeting. Recommendations were monitored on a two yearly basis by reference to the south west best practice group. The service was consistently meeting targets set nationally.

The Chairman stated that as Chair of the Committee and a Ward Member he frequently heard from various sources that officers were saying they were under a great deal of pressure in terms of volumes of work and imposed timescales. He felt that the Committee had a responsibility to address the welfare of the staff if issues were being flagged up. He would be meeting with the Leader and the Cabinet Member shortly and would report back to the Committee.

The Chairman also referred to previous conversations that had taken place regarding figures in relation to sickness absence. He informed the Committee that he had met with the Group Manager for Human Resources and that this issue was being addressed at the highest level. An action plan was being formulated and he was now satisfied that there was a plan in place to deal with this issue.

27. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING**

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 the external auditors action plan

(The meeting ended at 10.58 am)

CHAIRMAN