

## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 22 January 2019 at 5.30 pm

### **Present**

#### **Councillors**

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

### **Apologies**

#### **Councillors**

Mrs J B Binks, T G Hughes and L D Taylor

### **Also Present**

#### **Officers**

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

### **Also in**

#### **attendance**

Julie Masci and Andrew Davies (Grant Thornton)

## 52. **APOLOGIES**

Apologies were received from Cllr Mrs J B Binks who was substituted by Cllr B A Moore and Cllr L D Taylor who was substituted by Cllr R Wright.

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

There were no interests declared under this item.

## 54. **PUBLIC QUESTION TIME**

There were no members of the public present.

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

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

## 56. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman stated that because of the need to rotate external auditors on a regular basis he had been due to meet with Geraldine Daly from Grant Thornton for the last time prior to the meeting to discuss the handover with her replacement Associate Director. However, due to illness Ms Daly had been unable to make the meeting. Ms Masci had been in attendance however and the Chairman stated that

she would introduce herself formally to the Committee when the Grant Thornton items were reached on the agenda.

## 57. **REVIEW OF OFFICER RESPONSIVENESS TO MEMBERS IN PLANNING**

The Chief Executive had been requested by the Chairman to attend the meeting to provide an update on the responsiveness to Members queries within the Planning service.

The Chairman introduced the item stating that he had contacted all Members of the Committee inviting feedback and comment on this issue, however, he had only received comment from two Members. He reiterated his belief that responsiveness ought to work in both directions.

The Chief Executive stated that the Chairman had written to him informing him of the concerns of the Committee and that they had subsequently met with the Leader of the Council, the Cabinet Member for Planning and Economic Regeneration and the Head of Planning, Economy and Regeneration to discuss the detail of the concerns. The Chief Executive had then met with the Development Management team and reiterated what the expectations were with regard to responding to Members' queries, that is, that Members should receive an initial response within 48 hours. That meeting had taken place in November and he had explained to the team that he would be reporting back to the Audit Committee in January to ascertain whether there had been any improvement.

Several members of the Committee commented that they had seen an improvement and their concerns had dissipated. Particular members of staff were complimented and it was acknowledged that the enforcement service area was a particularly difficult area to work within due to its very nature.

The Chief Executive concluded by stating that he was disappointed that the matter had needed to be formalised and brought to the Committee but he was pleased that officers had recognised the issues being raised and that the Committee's concerns had now been addressed.

## 58. **PERFORMANCE & RISK 2018/19**

The Committee had before it, and **NOTED** a report \* from the Director of Corporate Affairs & Business Transformation providing it with an update on performance against the Corporate Plan and local service targets for 2018-2019 as well as providing an update on the key business risks.

Discussion took place regarding:

- It was explained that the recycling rate for the whole of England for 2017-18 was 44.8% (2016-17 45.1%). The Council's rates were 51.9% for 2017-18 (2016-17 53.3%) so exhibiting the same pattern (i.e. 2017-18 being lower than 2016-17) but with much better results.
- The risks in connection with the 3 Rivers Development Company were identified within the report as being 'high'. It was explained that the company had been included in the accounts for the first time last year and that there was a need to be as transparent as possible with regard to technical

disclosure within the public accounts, it was possible therefore that officers were being over cautious with regard to scoring risks in this area. It was further explained that, in line with CIPFA guidance, the services of an independent technical expert had been engaged who was consulted on a regular basis to provide advice. Advice was also regularly sought from the Group Manager for Legal Services and Monitoring Officer as well as the Group Manager for Performance, Governance and Data Security. Legislation, particularly with regard to procurement arrangements was strictly adhered to. Internal audit had also recently undertaken a review of the company's governance arrangements.

- The Chairman commented that there were still some review notes missing within the risk report and that some of the notes that were there contained comments that were not very helpful. He asked that this be conveyed back to Service Managers.

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

#### 59. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN**

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 there had been ten issues identified within the action plan and that there had been some slippage on completion dates but progress had also been made.

A Sickness Absence Action Plan had been developed by HR and the Health and Safety Officer. This had been approved by the Leadership Team in October 2018. HR had rolled out 'return to work interview' training for managers although this plan was not yet fully implemented.

The Chief Executive reminded the Committee that sickness statistics were reported on a regular basis to the Cabinet and Council through the annual Establishment report which was due in February.

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

#### 60. **FINANCIAL REGULATIONS REVIEW**

The Committee had before it a report \* from the Deputy Chief Executive (S151) making recommendations for amendments to the Financial Regulations of the Authority to ensure they were appropriate, reflecting the Authority's latest structure and delegations.

The Group Manager for Financial Services had received an update from the Group Manager for Legal Services and Monitoring Officer with regard to the legal implications of a revision to the Financial Regulations. This was cited as being as follows:

“The Financial Regulations, as revised, include appropriate references to the latest applicable laws, regulations and guidance, as well as acknowledged industry best practice. Outside of those parameters, it is entirely a matter for the Council to determine the rules and thresholds which apply, including the level of decision making. It is important the regulations are clear and precise to avoid any doubt about their application in any given scenario and staff training is advisable.”

It was further explained by the Group Manager for Financial Services that this was an important working document which ensured that the Council adhered to proper working practices with the right levels of authorisation. Updates and changes to the document had been tracked changed making it easier to see where the revisions had taken place.

Discussion took place with regard to:

- The significance of IR35 tax legislation to the Council and its operations.
- When it came to the disposal of land, Ward Members were not always informed. However, the Chief Executive confirmed that disposal of land over 0.25 of a hectare was reported through CSAG (which had Member representation on it) and also the Cabinet. Officers needed to be reminded that anything under this amount needed to be reported to individual Ward Members.

**RECOMMENDED** to Council that the revisions to the Financial Regulations are approved.

(Proposed by the Chairman)

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

## 61. **INTERNAL AUDIT PROGRESS REPORT 2018-19**

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.

Consideration was given to:

- The Internal Audit Manager’s opinion continued to be that there was ‘Significance Assurance’ on the adequacy and effectiveness of the Authority’s internal control framework.
- Core Audits were on track to be completed by the year end. There were no major concerns on controls although system user access controls were still not fully reviewed on staff changes.
- Performance monitoring had received increased focus from Leadership Team.
- Comments had been made by Internal Audit on succession planning in the areas of Procurement, Council Tax, and leisure where staff changes had increased business continuity risks.
- Good progress had been made against the Audit Plan for 2018/19.
- A summary of the audits that had taken place since the last update was provided showing that they had all been of a ‘good standard’ and one being of a ‘high standard’.

- An amber direction of travel had been identified in the area of ICT as periodic checks were not being carried out to confirm the ability to restore key business systems in the event of an emergency. However a plan was in place to address this.
- In the area of 'Cyber Security' it was noted that this had received a 'Good Standard' assurance opinion but that no computer network connected to the internet could ever be completely secure and mitigation measures could never fully prevent incidents from occurring.
- It was requested that again, recommendations outstanding from pre 2018 be addressed as a matter of urgency and either dealt with or, if no longer applicable, removed.

The Chairman requested that for those service areas receiving a 'Good Standard' internal audit that the thanks and congratulations of the Committee be conveyed back to the staff working in those areas.

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

## 62. **ASSURANCE MAPPING**

The Committee had requested at the previous meeting that further consideration be given to the concept of 'assurance mapping'. The Deputy Head of the Audit Partnership had provided the Committee with some additional information setting out the concept in more detail.

It was explained that the Committee already received information via many assurance processes, however, using the assurance mapping process could make this process simpler thereby providing further clarity and allowing officers and Members to see where the gaps were. The Committee were invited to comment on whether they considered this additional assurance procedure provided any significant value.

The Chief Executive explained that officers were already mindful of the 'nuts and bolts' behind particular areas of risk at operational level and that the strategic risk register contained details of how these are mitigated and managed at a corporate level, however, it might be useful for Members to see 'a snap shot' on one page.

The Committee discussed the concept and felt that it could get over complicated when they were essentially satisfied that adequate risks and mitigation measures were already in place. However, it was felt that this was something that needed further consideration by officers and the new Audit Committee following the election in May.

## 63. **DEVON AUDIT PARTNERSHIP REVIEW**

The Committee had before it, and **NOTED**, a briefing paper \* providing some feedback regarding the Devon Audit Partnership.

The Chairman introduced the item detailing the background of the Partnership and Mid Devon's involvement with it. He stated that the meetings at Devon County Council were very professional, well attended and the subject matter was relevant each time they met. Five authorities were now signed up to the Partnership and

everybody had an opportunity to have their say. He invited the Committee to provide any observations or comments on the revised arrangements.

It was felt that the service was efficient and provided opportunity to feedback on areas which could be improved. Reports were timely, understandable and constructive. This could be seen as a 'dry' area, however, reports were delivered by the Deputy Head of the Devon Audit Partnership with enthusiasm and commitment. Mid Devon audit staff had had an opportunity to gain additional skills and the transition had gone well.

Members were reminded that the original decision to move to the partnership had not been in order to save money but to provide a better quality audit service and outcomes for the Council.

#### 64. **EXTERNAL AUDIT PLAN - GRANT THORNTON**

The Committee had before it, and **NOTED**, a report \* from Grant Thornton providing it with an overview of the planned scope and timing of the statutory audit of the Council.

Julie Masci introduced herself as the new Grant Thornton Engagement Lead for Mid Devon. She provided a brief summary of her professional background, relevant experience and the need for a rotation of staff within the professional framework.

She explained that Grant Thornton had a responsibility to express an opinion on the Council and group's financial statements as well as the Value for Money arrangements. The precise details of the level of audit work needed in relation to the 3 Rivers Development Company were not known at the moment but it was expected to be a high level review.

They had responsibility to report on significant risks to the authority, including the valuation of land, buildings and pension liabilities. All material balances and transaction streams would also be audited. She briefly outlined the timetable of the audit explaining that it would be commencing next month. The fee for the audit was also outlined which had reduced due to savings made in a procurement exercise.

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

#### 65. **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE (INCLUDING GRANT CERTIFICATION OUTTURN FOR 2017/18)**

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.

Planning for the audit had commenced and interim work was due to start next month with attention being focussed on understanding the Council's financial systems, emerging accounting issues and a review of management's assessment of going concern. The results of this work would be reported to the Committee at its next meeting.

A brief summary was provided of the audit work undertaken with regard to the Housing Benefit subsidy claim and the certification of other claims and returns.

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

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

It was requested that, in addition to the items already identified in the work programme, the following item/s be placed on the agenda for the next meeting:

- The Internal Audit Charter and Strategy.

(The meeting ended at 7.15 pm)

**CHAIRMAN**