

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 8 October 2019 at 5.30 pm

Present

Councillors

R Evans (Chairman)
Mrs C Collis, B A Moore, D F Pugsley,
A Wilce, J Wright and A Wyer

Also Present

Councillors

R M Deed and N V Davey

Also Present

Officers

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

Also in

Attendance

Andrew Davies (Grant Thornton)

33. APOLOGIES

No apologies for absence had been received.

34. DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT

No interests were declared under this item.

35. PUBLIC QUESTION TIME

There were no members of the public present.

36. CHAIRMAN'S ANNOUNCEMENTS (00:03:18)

The Chairman had the following announcements to make:

1. Cllrs A Moore, A Wyer and the Chairman had attended the SWAP and DAP training day at Buckfast Abbey on 1st October. This had been a very useful training session and the Chairman requested that the training slides from the day be circulated to the whole committee.
2. He had attended the Community Policy Development Group meeting that afternoon on behalf of the Audit Committee, to provide more information in relation to their recommendation that the Community PDG consider the encouragement of a customer engagement 'champion' in relevant service areas. Having considered the Audit Committee's recommendation, the Community PDG had recommended that the Leader, Audit Committee

Chairman and Cabinet Member for Community Well Being take up the issue and discuss together how this could be taken forward. This was highlighted as a constructive dialogue between two non-executive committees of the Council which was helpful and inclusive.

37. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 27 August 2019 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

38. PERFORMANCE & RISK REPORT (00:04:02)

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 2019-20 as well as providing an update on the key business risks.

The contents of the report were outlined with reference to the following:

- This was the second report of the current financial year showing results up to the end of August 2019.
- Measures in relation to FOI's granted in full and decision notices had now been added into the report as requested at the last meeting.
- It was noted that the figures in relation to the number of empty shops in Cullompton were particularly disappointing. The committee were reassured that this situation was closely monitored by the Economy PDG and the team supporting it. It was reported that the next count would be conducted very shortly. The concerns of the committee were requested to be referred back and further information sought as to what the Growth and Economic Delivery team plans were with regard to this issue.
- The performance indicator (PI) in relation to 'Minor applications overturned at appeal (over the last 2 years)' was considered to be meaningless. It was requested that there be an additional PI to read 'Minor applications which go to appeal and are subsequently overturned'. It was felt this would be a more meaningful measure.
- It was confirmed that a proposal from Exeter University for carbon footprint work had been received and was being considered by the Group Manager for Corporate Property and Commercial Assets.
- It was requested that information provided in relation to 'mitigating actions' be as full as possible, wherever possible.

Discussion took place regarding the risks in relation to 3 Rivers Development Ltd:

- Clarity was sought with regard to the fact that within the Performance and Risk report, the risk severity had been allocated the highest score of 5 and a likelihood score of 4. However the external auditors report had not highlighted 3 Rivers as a significant risk although it had proposed a recommendation for some improvement. The thresholds in relation to the scoring system were explained. The question was asked as to what the Council was doing to reconcile the differing opinions in relation to the risks. The committee were informed that there was now a quarterly officer programme board which the

Group Manager for Financial Services and the Chief Executive attended. There was also regular monitoring and a constant eye was being kept on activity in relation to this subsidiary company. Judgements were made on a weekly basis in relation to relevant risk factors. There were agreements for all loans and the first repayment was due in December 2019.

- In terms of the 3 Rivers 'assets' this was described within the balance sheet as being 'work in progress' as they were developments for onward sale.
- Loans were seen as being 'secure' since the Council ultimately owned the land and the development (albeit it may still be under construction).
- It was confirmed that capital works and overheads were added into the cost of a projects as well as being factored into any calculation of profit at the end of the project.

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

39. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:34:27)**

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 2018/19 Action Plan.

The officer explained that 8 issues had been identified as needing action in the AGS action plan and an update was provided in relation to each:

- No. 1 – in relation to systems needing to provide a full overview of the trigger points for all s106 agreements – progress had been steady and regular meetings held. It had been decided that the in house IT team would develop the necessary software. The committee were informed that the Chairman of Scrutiny wanted to take a look at s106 but would probably wait to do this until the software had been implemented.
- No. 2 – it was confirmed that Leadership Team had received the Ethics briefing and were considering it for approval. This would be published imminently.
- No. 3 – the Members Away Day had now taken place.
- No.4 and 5, had now been completed.
- No.6 – it was explained that the Standards Working Group had reviewed the report in relation to 'Standards in Public Life' and this would be discussed at the Standards Committee the following day.
- No. 7 – the Single Equalities Policy and Equality Objectives had been discussed by the Community Policy Development that afternoon.
- No. 8 – on track to be completed according to the identified timescales.

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

40. **INTERNAL AUDIT PROGRESS REPORT (00:40:17)**

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

It was highlighted that overall, based on work performed during 2019/20 the Head of Internal Audit's Opinion continued to be one of 'Substantial Assurance' on the adequacy and effectiveness of the Authority's internal control framework.

The following was also highlighted within the report:

- A skills assessment survey of the Audit Committee had recently been undertaken.
- There was a piece of work being undertaken in conjunction with Grant Thornton regarding the Housing Benefit subsidy claim.
- 3 specialist staff had been brought on board to help with outstanding audit work and they would be particularly looking at the specialist areas of, for example, IT.
- It was confirmed that no issues in relation to fraud or any other irregularities had been identified.

Discussion took place regarding the issue of potential fraud – the Chairman had asked the Deputy Chief Executive (S151) and Group Manager for Financial Services what arrangements were in place this year for fraud detection and prevention. Once he had heard back he would update the committee. In the previous financial year an amount of money had been spent to bring in some external expertise to ensure this area was reviewed in depth. It had been concluded that this had been money well spent. Staff were encouraged to be very aware of the potential for fraud, however, fraudsters were very clever and the external expertise had and would prove very helpful to the Council. It was **AGREED** that the committee receive a presentation from the Counter Fraud Manager providing further information and assurances in due course.

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

41. **EFFECTIVENESS OF THE AUDIT COMMITTEE - SELF ASSESSMENT (01:01:28)**

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.

The Audit Manager explained that the survey had been circulated to all committee Members and its substitutes. Of the 12 surveys sent out, 8 had been received back. In addition to this he had completed the CIPFA Self-Assessment checklist on behalf of the committee with only the following areas being identified as 'partially' completed:

- The skills survey – this was almost complete and a discussion of the committee's training needs would be held later in the item.
- The Chairman's annual report could include a section on how the committee added value to the organisation in addition to accounting for its performance and explaining its work.

The Audit Manager provided the Committee with a presentation showing statistical analysis in relation to the answers given in the survey. This had identified some training needs in relation to:

- Governance and Internal Audit
- Risk Management
- Financial; Management & Accounting
- Counter Fraud

It was suggested that since there would be a light agenda for the scheduled meeting on 28 January 2020 that a training session be held following this meeting, to address each of the areas above and which would include a presentation from the Counter Fraud Manager. This was **AGREED**.

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

42. **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE (01:18:29)**

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:

- Housing Benefit Certification work was on-going and was being aided by the Internal Audit team.
- The 2018/19 audit was now fully complete with the Annual Audit Letter being the last 'piece of the puzzle'.
- Planning in relation to the 2019/20 audit would commence before Christmas. The audit plan would be brought to the committee at its meeting in January.
- The Code of Audit Practice now needed to be reviewed and the National Audit Office were consulting on potential changes to the Code in two stages. Stage one involved engagement with key stakeholders and public consultation on the issues that were considered to be relevant to the development of the Code. Stage two of the consultation involved consulting on the draft text of the new Code. The most significant changes were in relation to the Value for Money arrangements. An update would be provided once more was known.

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

43. **ANNUAL AUDIT LETTER (01:22:28)**

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 2019. It was explained that this was the public facing document and confirmed their opinions in relation to the financial statements and value for money.

Consideration was given to the following:

- The external auditor's conclusions in relation to 3 Rivers Development Ltd being apparently out of kilter with the risks identified by the Council itself. The officer from Grant Thornton explained that there was a willingness for the Council to progress with the company but that governance arrangements need to be as open and transparent as possible. It was confirmed by the Group Manager for Financial Services that the VFM conclusion related to openness

and transparency rather than the viability of the company. The Group Manager also confirmed that regular updates were being provided to Members and that a 3 Rivers Shareholders Group now met on a regular basis to discuss the performance of the company, the Group Manager attends these meetings.

- The external auditors had identified a number of additional fees that they were intending to propose as a result of additional costs to them. These included £1.5k in relation to assessing the impact of the McCloud ruling, £1.5k in relation to the Financial Reporting Council highlighting a need to improve the quality of work in respect of IAS 19 and £1.5k in relation to the need to improve the quality of work on Property, Plant and Equipment (PPE) valuations. The committee expressed concern regarding these additional fees when they had already been told the level of fees earlier in the year. It was also stated that the fee in relation to PPE was not relevant as this work had not been carried out during the 2018/19 audit. It was also felt that, as customers, the Council should have been informed about the additional fees at a much earlier point. The Chairman suggested that officers talked to Grant Thornton about these extra fees outside of the meeting with a view to coming to some agreement and that they report back to this committee at the next meeting. This was **AGREED**.

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

44. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:44:14)**

The following was requested to be on the agenda for the next (or future) meeting in addition to the items already listed in the work programme:

- An update in relation to the additional fees proposed by the external auditors.
- Where the Tenants Together group (TT) had conducted a review, that their report come to the Audit Committee as stated in the TT terms of reference. It was also requested that the latest TT report be emailed to the Committee so that they could determine whether their sight of it held some value.

(The meeting ended at 7.20 pm)

CHAIRMAN