

## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 28 January 2020 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**

#### **Councillor**

R M Deed

### **Also Present**

#### **Officers**

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

## 57. **APOLOGIES**

There were no apologies for absence.

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

There were no interests declared under this item.

## 59. **PUBLIC QUESTION TIME**

There were no members of the public present.

## 60. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman informed the Committee that the Group Manager for Financial Services, Jo Nacey, would be leaving the authority to take up a post elsewhere. On behalf of the committee he extended his thanks to Jo for all the hard work she had undertaken for the Council. She had shown respect, diplomacy, good grace and always wore a smile. He wished her well for the future.

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

The minutes of the meeting held on 10 December 2019 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

## 62. **PERFORMANCE & RISK REPORT**

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 report had been discussed by

three Policy Development Groups and the Scrutiny Committee. There had been discussion at the Scrutiny Committee about the Council's carbon footprint with a suggestion that Mid Devon's be compared with that of other authorities. However, it was felt that this would not add much value since figures were not directly comparable given that other authorities provided different services in house.

Further discussion took place with regard to:

- How well the Private Sector Housing team were performing in 'bringing empty homes back into use'.
- Whether a trend line in relation to the number of empty shops bar chart would add any value?
- The number of days lost due to sickness. This topic had regularly been discussed by the Committee with the promise of a revised policy being drawn up by officers some time ago. The Committee were informed that a revised policy had been circulated to Group Managers this week with a view to it being fully adopted by 1<sup>st</sup> February 2020. The Chairman requested that the Committee receive reassurance from the Leadership Team that the policy was now in place and had gone through all the required processes, for example, the union.
- The need for a thorough analysis of the performance indicators in relation to the Council's commitment to the climate change declaration and the new Corporate Plan.
- A mitigating action in relation to GDPR compliance risk being behind target, however, the Committee were reassured that there was an action plan in place and officers knew what they had to do going forwards.

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

### 63. **EXTERNAL AUDIT PROGRESS REPORT**

The External Auditor provided a verbal update on where Grant Thornton were in terms of delivering their responsibilities as the Council's external auditors. It was explained that since the last Audit Committee they had had a second meeting with the Group Manager for Financial Services and the Deputy Chief Executive (S151). They had started work on the value for money risks and confirmed that the pooling of capital receipts work had been completed. No issues of concern had been identified.

### 64. **EXTERNAL AUDITORS AUDIT PLAN FOR 2019/2020**

The Committee had before it, and **NOTED**, a report from Grant Thornton providing an overview of the planned scope and timing of the statutory audit of Mid Devon District Council for the year ending 31<sup>st</sup> March 2020.

Key highlights within the report included the following:

- Those risks requiring special audit consideration continued to be in relation to the 3 Rivers Development Limited and the employer's pension fund liability as there was a significant amount of estimation in these areas.
- There were also risks in relation to changes within the Finance team with the Group Manager and an Accountant having recently left or about to leave. This

would leave a gap in terms of expertise and staff resource until replacement members of staff were fully conversant with the Council's processes.

- The proposed fee for the 2019/2020 external audit would be £44,229.
- From Grant Thornton's initial discussions with officers, 3 Rivers 'work in progress' was forecast to be c£9m. Although this did not meet the criteria requiring an external audit, it was a material balance to the group accounts and would need additional assessment by the external auditors.
- There had been a change to International Financial Reporting Standard (IFRS) 16 to do with leases. Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make lease payments.
- The threshold for materiality would be kept at 2% of the Council's gross expenditure.
- With regard to financial sustainability the external auditors were keen to stress that the Council continued to face significant financial challenges over the medium term.
- The interim audit would commence in the following week with the final audit commencing at the end of May. A final report would be brought to the Audit Committee in July.

Consideration was given to:

- In order for 3 Rivers Development Limited to trigger an external audit they would need to meet 2 out of 3 criteria in relation to numbers of staff (50 or more), annual turnover (of more than £10.2m) and assets exceeding £5.1m. These criteria were not currently met. There was provision within the agreement for an external audit of 3 Rivers to be undertaken by an independent external audit company but it would be a costly expense to the Council and may not represent value for money given the overall percentage spend.
- The need for more information to the Audit Committee about exactly what the Grant Thornton audit of the 3 Rivers areas entailed and the results of their necessary risk assessments.
- The Committee were keen to more fully understand the external auditor's view of the Council's financial sustainability but the audit needed to be completed first before the Committee could have that discussion with them.
- The number of days and weeks the external auditors would be undertaking the audit in relation to the fee they were charging.

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

## 65. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING

There were no further items identified for the next meeting other than those already listed within the work programme.

(The meeting ended at 6.25 pm)

**CHAIRMAN**