

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 22 September 2020 at 5.30 pm

Present

Councillors: W Burke, Mrs C Collis, N V Davey,
S J Penny, A Wyer and A White

Also Present

Councillors: G Barnell, L J Cruwys, R M Deed, R Evans, B A Moore,
B G J Warren and A Wilce

Also Present

Officers: Kathryn Tebbey (Head of Legal (Monitoring Officer)),
Eileen Paterson (Group Manager for Development),
Catherine Yandle (Group Manager for Performance,
Governance and Data Security), Ian Chilver (Group
Manager for Financial Services), Adrian Welsh (Group
Manager for Growth, Economy and Delivery), David
Curnow (Deputy Head of Devon Audit Partnership) and
Sarah Lees (Member Services Officer)

Also in

Attendance Julie Masci (Grant Thornton)

41. ELECTION OF CHAIRMAN (CHAIRMAN OF THE COUNCIL IN THE CHAIR)

RESOLVED that Cllr S Penny be elected Chairman of the Audit Committee for the remainder of the 2020/2021 municipal year.

(Proposed by Cllr A Wyer and seconded by Cllr A White)

42. APOLOGIES

There were no apologies for absence.

43. PROTOCOL FOR REMOTE MEETINGS

The protocol for remote meetings was noted.

44. PUBLIC QUESTION TIME

There were no questions from the member of the public who was present.

45. DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT

No interests were declared under this item.

46. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 11 August 2020 were confirmed as a true and accurate record.

47. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had the following announcements to make:

1. He thanked the Committee for putting its faith and support in him as the new Chairman. He would work with and for the Committee to move things forward in the right direction.
2. Members of the committee had been copied into a response from the Chief Executive regarding a Member question which had been asked at the last meeting in relation to the 3 Rivers Development company. It had been requested that the response be read out at this meeting and that it also be included in the minutes. The Chief Executive's response to the Member question was as follows:

"As you know, the company was created with advice from external lawyers with significant expertise in such matters. Various and numerous audits have recommended changes or improvements as time has passed and this process will continue into the future since a significant part of the audit remit is to drive improvement and assure that process. In relation to documentation, and Cllr Wilce's specific query, the recent external audit reports recommended improvements to the loan agreements and this is currently being implemented.

It is acknowledged that the report taken to Cabinet in March 2017 made reference to the need for robust agreements in place between the council and the company. Clearly, what was done at the time was felt appropriate in the context of a fledgling company, but of course we accept the external auditors' views that these should now be strengthened in order to reduce risk. In response, we are currently finalising a standard-form agreement to address these concerns and risks as well as ensuring we are well-placed for the future with any other commercial activities the council may choose to progress. I can also reassure members that any procedural changes that are required will be embedded within a revised Shareholder Agreement (to formalise this between the council and its development company). Interestingly, I believe the Local Government Association has also recently recommended the use of standard documentation in relation to council special purpose vehicles (SPVs), no doubt to both minimise risk across the sector but also potentially to cut down on costs for each council having to procure its own.

I know that Andrew Jarrett, as the council's S151 officer, will continue to advise the committee on all matters concerning risk and resource deployment, however I thought it would be helpful to give this response to reassure you of the actions being taken, and to address Cllr Wilce's specific query on the loan agreement documentation."

48. **HOUSING INFRASTRUCTURE FUND - PLANNING APPEAL DECISION AND RISK IN RELATION TO FUNDING (00:15:00)**

The Committee had before it, and **NOTED**, a report * from the Head of Planning, Economy and Regeneration responding to a Member request for the Audit Committee to consider the recent planning appeal decision at Siskin Chase, Cullompton in respect of the funding of the Cullompton town centre relief road scheme and the risk profile in respect of the recovery of the Housing Infrastructure Funds from development.

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

- Delivery of a town centre relief road to enable the release of much needed housing sites had been a long held aspiration.
- The Council had been successful in obtaining £10m from Homes England under the Housing Infrastructure Fund.
- The report explained the reasoning behind the Inspector's decision to grant permission to the developer without having to make a contribution to the relief road. The Inspector had also considered the alternative air quality measures proposed by the appellant had judged them to be sufficient.
- The County Council had considered that there was sufficient capacity within the existing highway network to support this development.
- It was felt that there was quite a marked difference between the site at Siskin Chase and other sites in the Cullompton area which would benefit from a relief road. This had also been enforced by policies within the newly adopted Local Plan.
- Any project required change and with change came inherent risk. It was important that sufficient measures were in place to mitigate those risks. The Head of Planning, Economy and Regeneration had ensured that robust measures were in place to address this and she was working very closely with Homes England.
- A planning application had been submitted by Devon County Council, however, this Committee was not able to assess the issues involved.

Discussion took place regarding:

- Relevant timescales in relation to the funding and how long the loan period would be for. Homes England would have a finite date, which was expected to be in the early 2030's but it was too early to predict what the funding need would be. It was requested that should additional information be available on this point it be circulated to the Committee.
- Risks in relation to houses not being delivered against having to repay a loan, there were still a lot of unknowns but it was reiterated that Homes England wanted houses to be delivered.
- The report was a snapshot of the position at the current time
- Appeals that had taken place and the impact of these appeals on S106 agreements.
- Ongoing negotiations continued to take place with applications that had received permission.

- It would be appropriate for the Audit Committee to review the HIF on a regular basis.

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

49. **OUTLOOK SECURITY (00:35:00)**

A number of concerns had been raised at the previous meeting regarding Outlook security. The Group Manager for Performance, Governance and Data Security had been asked to provide the Committee with information relating to what the Council was doing to ensure all necessary mitigations were in place to combat this.

It was explained that the Council was not able to connect to the Public Sector Network unless it had a Certificate of Compliance and the Committee were reassured that it did. It was important that all issues were identified and resolved after the annual review. If Members or officers were concerned about suspect emails then they should forward them immediately to IT via the Security email address. Concerns at the last meeting had principally been around phishing emails. A number of emails were shown to the Committee by way of example.

50. **PERFORMANCE AND RISK (00:42:00)**

The Committee had before it, and **NOTED**, report * from the Group Manager for Performance, Governance and Data Security providing Members with an update on performance against the Corporate Plan and local service targets for 2020-2021 as well as providing an update on the key business risks. It was explained that this report had now passed through all the relevant Policy Development Groups.

Discussion took place with regard to:

- A missing 'number of complaints received' figure in relation to Council housing. This would be corrected for the next meeting.
- It was noted that some of the aims within the Community PDG area were quite long term.
- Review information in relation to the Incubator Space mitigating action on the Commercial Land supply risk, this would also be updated for the next meeting.

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

51. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:50:00)**

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 2019/20 Action Plan.

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

- The Annual Governance Statement had been approved at the Audit Committee meeting on 11 August 2020. The Action Plan which derived from it

picked up and monitored any issues that had been identified. Any actions were then reported to each Audit Committee meeting until they were resolved.

- Progress was being made in relation to the S106 governance arrangements with a report having now gone through the Scrutiny Committee and the Cabinet.
- Issues in relation to 3RDL were now detailed in an action plan that would be discussed at the Cabinet meeting on 1 October 2020.

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

52. **INTERNAL AUDIT ASSURANCE OPINIONS (00:53:00)**

The Committee received, and **NOTED**, an information paper * from the Devon Audit Partnership providing information on the standardisation of Assurance Opinions across the public sector as recommended by CIPFA. It was hoped that this new approach would help to rationalise the different language being used across the public sector and that it would also recognise best practice.

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

53. **INTERNAL AUDIT PROGRESS REPORT (00:56:00)**

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

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

- The expectations of the Audit Committee in relation to this regular report.
- The definition of opinion statements.
- An overall good control framework remained in place.
- Despite the challenges of COVID the Internal Audit work programme will be revised with management but will be able to provide year end assurance.
- A summary of each of the audits that had taken place since the last time the Committee received this report was provided.
- Some work was still needed around the Council's informal partnerships in terms of control records. An update would be provided to the next meeting.
- A range of audits were currently in progress including, Payroll, Main Accounting and Procurement.

A brief discussion took place regarding the extent to which COVID was affecting the work of the Audit Partnership. It was explained that staff were connected well through various IT systems, however, there had been some staffing changes, reduction in access and amended audit plan. This has resulted in a service delivery change with a new approach of assurance mapping being implemented to underpin their assurance opinion on the control framework.

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

54. **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE (01:07:00)**

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.

Grant Thornton's Director and Engagement Lead provided a summary of the report and made particular mention of the following:

- Their responsibilities as the Council's external auditors in relation to the annual accounts in particular their work looking at the financial statements and assessing value for money.
- The work they also conducted in relation to grant claims.
- COVID had inevitably resulted in some delays to various processes.
- Further work was still needed in the areas of pensions, investments and property valuations but it was hoped this would be completed shortly and the audit for 2019/20 would be completed. Grant Thornton were confident all relevant deadlines would be met.

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

55. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:14:00)**

No additional items were identified for the next meeting other than those already listed in the work programme.

(The meeting ended at 6.45 pm)

CHAIRMAN