

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 17 November 2020 at 5.30 pm

Present

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

Also Present

Councillors G Barnell, S J Clist, Mrs C P Daw, R M Deed, R Evans and
B A Moore

Also Present

Officers Andrew Jarrett (Deputy Chief Executive (S151)), Catherine Yandle (Group Manager for Performance, Governance and Data Security), David Curnow (Deputy Head of Devon Audit Partnership), Paul Middlemass (Audit Manager) and Sarah Lees (Member Services Officer)

Also

In attendance Julie Masci (Engagement Lead, Grant Thornton)

56. APOLOGIES

There were no apologies for absence.

57. PROTOCOL FOR REMOTE MEETINGS

The protocol for remote meetings was noted.

58. PUBLIC QUESTION TIME

There were no members of the public present, however, Cllr Barnell stated.....I am not sure if it is in order for me to raise this at this point but I do want an answered question and I couldn't see another place on the agenda to ask one. Is it in order to ask it now or shall there be another opportunity?

The Chairman stated that this was fine.

Councillor Barnell continued...

1.How will the Audit Committee exercise its responsibilities in future in respect of the ongoing risks associated with 3RDL including:-

- The validation of profit and loss forecasts provided by the Company?
- The soundness of investments of taxpayers money made in the Company?
- The repayment of loans and the repayment of interest due on these loans by Company including oversight of any future impairments that may be made in respect these payments.

2. What will be the roles of both the internal and external auditors in ensuring that any risks associated with the Councils investments in and loans to 3RDL are effectively analysed and reported to the Committee?

I do not expect an answer to that today, however, I appreciate you letting me ask the question and I would appreciate a written response in the near future. I think the question in my mind is addressed to both you and your deputy in terms of scheduling the work of the Audit Committee. Thank you very much.

The Chairman stated that... with regard to S106 my understanding is that only recently at Council were the governance arrangements agreed. In addition there will be a report to the December Cabinet meeting on the Community Infrastructure Levy which if agreed will be referred to a subsequent meeting of the Council. That report will deal with whether this Council wishes to continue with CIL or withdraw from the examination and no longer seek to implement it.

That's the note that I have been sent to mention at this point but you will get a full answer to your questions in writing and all Members will have a copy of that in due course. Is that okay?

Cllr Barnell responded by saying.....I had understood all that, the question actually related to the technical management systems for the CIL and S106, not to the procedures and it relates to the two systems referred to under item 11 which I wanted to raise then as an ordinary Member, not a member of the Committee. Item 11 you will see is the internal audit report and progress on that and one of the issues is the risk management on the two recording systems that have been put in place, one for S106, the other for CIL payments. So I wonder if I can raise that issue again there because there may have been a slight misunderstanding here about what I am asking about?

The Chairman agreed that the subject could be revisited under agenda item 11.

59. DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT

No interests were declared under this item.

60. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 22 September 2020 were confirmed as a true and accurate record.

61. CHAIRMAN'S ANNOUNCEMENTS (00:08:00)

The Chairman welcomed Paul Middlemass to the Committee. He had been appointed as the new Audit Manager for the Devon Audit Partnership and would be attending the Audit Committee in the future. David Curnow would continue to work for Mid Devon District Council and would have oversight of the audit function.

62. MDDC REPRESENTATION ON DEVON AUDIT PARTNERSHIP (DAP) (00:10:00)

It was explained that DAP met three times a year, meetings were held remotely and lasted approximately an hour and a half. Normally there were two representatives

from each local authority, one being the Chairman of each Audit Committee and one other member of the Committee.

The Chairman stated that he had attended a DAP meeting that morning and that he was looking for a willing volunteer from the Committee to join him at future meetings.

The Vice Chairman stated that he would be willing to deputise for the Chairman if he was not able to attend a meeting but he would need advance warning since he worked full time.

There were no other volunteers so for the time being the Chairman would attend alone.

63. **PERFORMANCE AND RISK (00:14:00)**

The Committee had before it a 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 2021-21 as well as providing an update on the key business risks.

The contents of the report were outlined and particular reference made to the following areas:

- The report provided performance data up until the end of September 2020 and had now passed through all 4 Policy Development Groups.
- The draft Key Performance Indicators (KPI's) were now aligned with the new Corporate Plan framework. New aims needed new measures.

Discussion took place and questions were asked with regard to the following:

- The Risk Management report and whether the section relating to monitoring the risk in relation to 3 Rivers provided enough information to the Audit Committee to adequately assess the financial risks. It was felt that perhaps the Business Plan should come to the Audit Committee as well so that it could judge performance against expectations. The Deputy Chief Executive (S151) explained that the 3 Rivers Board provided 6 monthly reports to the Cabinet which provided an update on their delivery against their business Plan. There were also monthly updates to the Cabinet on the 33 recommendations which had been approved. It was, however also the Audit Committee's job to ask for regular updates in order to seek assurance that the risks were being managed. He referred to a planned joint briefing between the Scrutiny Committee and the Audit Committee where these issues could be discussed further.
- In relation to 'Infrastructure delivery' and the mitigating action 'Close working with delivery partners' in an attempt to mitigate risk, it was felt there were no examples provided as to what had happened or what was planned. It was explained that this detail would need to be provided by the Economic Development team and could be provided after the meeting.
- Regarding 'Community Right to Buy' and the 'opportunity to communicate with third parties', it was stated that this had been reported as a mitigating action for a year but the Committee had received no information as to how that was or was not progressing.

- A range of options being considered in relation to overall funding had not been fully explained. The question was asked as to what was the possibility of sharing senior officers with other authorities? The Deputy Chief Executive (S151) explained that a report considering funding options would be presented to the Cabinet on 3 December 2020. Much would depend upon the amount of Government funding for next year. This was expected to be announced towards the end of November or early December. He further explained that shared management arrangements had already taken place with the Refuse and Recycling Manager in North Devon as well the sharing of an ICT Manager. When one of the Directors had left last year, the work of that post had been subsumed into the work load of the remaining Directors in order to make savings.
- When was it appropriate for the Audit Committee to comment on the budget gap for next year? It was explained that the Audit Committee did not have a statutory role in assessing the budget or the MTFP. This work was undertaken by the Policy Development Groups and the Scrutiny Committee who made recommendations to the Cabinet. All Members were welcome to attend each of these meetings and make contributions. Reviewing the budget in January before final approval by the Cabinet and ultimately full Council was a role for the Scrutiny Committee.
- More information was requested in relation to the risk 'SPV Governance Arrangements – 3 Rivers'. The Cabinet Member for Finance explained that detailed information was provided to the Cabinet and relevant Cabinet Members were taking a proactive approach in seeking to get outstanding actions concluded. Progress was being made. It was suggested that the monthly update on the 33 recommendations be provided to the Clerk for circulation to the Audit Committee.

RECOMMENDED to the Cabinet that the draft Key Performance Indicators be approved.

(Proposed by Cllr A Wyer and seconded by Cllr N V Davey)

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

64. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:45:00)**

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.

Consideration was given to:

- The need for the Audit Committee to further challenge the adequacy of mitigating actions in relation to identified risks and to closely monitor whether progress was being made. In order to do this it was felt that the Audit Committee needed as much detail as possible and for new members to the Committee especially, support and guidance be provided wherever possible.
- The perceived overlapping areas between the Scrutiny Committee and the Audit Committee. The Deputy Head of the DAP explained that it was sometimes challenging to separate the interests of each committee but the

role of the Audit Committee was essentially to seek assurance that the right mitigations were in place to manage risk and to monitor these closely. The role of the Scrutiny Committee was more about performance and the 'what and how' a decision to do something was being managed.

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

65. BRIEFING PAPER ON THE REDMOND REVIEW (00:55:00)

The Committee had before it, and **NOTED**, a briefing paper * from the Group Manager for Performance, Governance and Data Security. It was reported that in September 2020 Sir Tony Redmond completed an Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.

The contents of the briefing paper were summarised and it was confirmed that the Committee would be kept updated on any developments as a result of this review.

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

66. INTERNAL AUDIT PROGRESS REPORT (00:58:00)

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 Committee were referred to the summary of audit reports and findings for 2020-2021. It was confirmed that no significant weaknesses had been found. Additional work had been incurred as a result of Covid 19 and as a result there would be some slippage in terms of delivering the Audit Plan.

With regard to the 'Partnership Governance – Building Control' review, the Committee were informed that this review had now been completed, joint meetings had now recommenced and the direction of travel would be amended to green.

Consideration was given to:

The implementation of new management and recording systems for S106 and CIL payments being considerably overdue. The question was asked as to when these systems would be in place? The Deputy Chief Executive (S151) responded by saying that he could not give a precise date but that a detailed report would be coming to the Cabinet on 3 December 2020 setting out the exact position and how it would be managed going forwards. It was right however that the Audit Committee monitored the situation closely.

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

67. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE (01:09:00)

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.

A summary of the report was provided with particular mention of the following:

- Two items remained outstanding in their Audit Findings Report. This was a review of the final set of financial statements and post balance events review and the receipt and review of the letters of assurance from the Devon County Council Pension Fund Auditor.
- The National Audit Office had changed the way 'Value for Money' work was conducted. It was hoped this would lead to more meaningful and timely reporting as well as maximising the value from the auditors' work and provide more freedom to reflect local context. This would however, necessitate additional requirements from each audit. There would be a need for more extensive reporting assessing the Council's adequacy of arrangements. There would need to be commentary on any weaknesses or areas needing improvement. They would also now be formally required to follow up on identified weaknesses. This would be more challenging going forwards since audits would be much broader in scope and require more engagement with the Audit Manager. As a result there would be a cost implication to the Council but the precise details were not known yet, although a fee increase in the region of between 10 and 15% was expected.
- The statutory deadline for signing off the accounts was the end of November 2020. Grant Thornton would accept an electronic signature from the Leader in addition to email confirmation.

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

68. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:34:00)**

In addition to the items already in the work programme for the next meeting, the following was requested to be on the agenda for the next meeting:

- Local Restrictions – Grants

(The meeting ended at 7.04 pm)

CHAIRMAN