

## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 23 March 2021 at 5.30 pm

### **Present**

**Councillors** Mrs C Collis, N V Davey, F W Letch,  
S J Penny, A White and A Wilce

### **Apologies**

**Councillors** W Burke and A Wyer

### **Also Present**

**Councillors** Mrs C P Daw, R M Deed, B A Moore and B G J Warren

### **Also Present**

#### **Officers**

David Curnow (Deputy Head of Devon Audit Partnership), Paul Deal (Corporate Manager for Finance), Dean Emery (Corporate Manager for Revenues, Benefits and Recovery), Lisa Lewis (Corporate Manager for Business Transformation and Customer Engagement), Catherine Yandle (Operations Manager for Performance, Governance and Health & Safety), Paul Middlemass (Audit Manager), Fiona Wilkinson (Principal Revenues & Benefits Officer) and Sarah Lees (Member Services Officer)

### **Also in**

#### **Attendance**

Julie Masci and Grace Hawkins from Grant Thornton

## 85. **APOLOGIES**

Apologies were received from Cllr W Burke and also Cllr A Wyer who was substituted by Cllr F Letch.

## 86. **PROTOCOL FOR REMOTE MEETINGS**

The protocol for remote meetings was **NOTED**.

## 87. **PUBLIC QUESTION TIME**

Mr Nick Quinn (a local resident) asked the following question:

My question concerns: Agenda Item 9 – Performance and Risk.

Risk Report Appendix 6, contains a 'risk' which I believe should be removed. That risk is: **SPV 3 Rivers Reputational Impact** - That 3 Rivers reputation is damaged by the actions of the council, etc.

I believe the wording of this risk is designed to muzzle any Councillor who wishes to express genuine concerns about the performance and actions of this Company - or the way this Council interacts with it.

This Company was set up by the Council to “*make profits which would feed in to the revenue streams of the Council and mitigate the cuts in Government funding*”. Unfortunately the Company is not doing this.

The Company has only paid the Council one (partial) loan repayment; a VAT refund; service recharges and interest on Council loans. No profits!

This is a Council owned Company, being loaned public money. Of course there will be public interest and scrutiny, especially when:

- The published Company Accounts have never shown any profits;
- Potential losses caused impairments to be put in the Council’s Accounts;
- Council money loaned to the Company was unsecured - until recently;
- Independent reviews of the Company led to 39 secret recommendations;
- Company figures given to two Council Committees were inconsistent.

The reputation of the whole Council is at stake. Councillors must be allowed to ask questions, to ensure the Nolan Principles of Integrity, Objectivity, Accountability, Openness, and Honesty are maintained.

The reputation of any Company is built on consistently delivering a good quality product, on-time and on-price.

A good reputation for this Company will only be achieved by the Directors actually delivering on their business plans - not by gagging Councillors.

My question is:

**Will Audit Committee please remove, or ask for the removal of, this restrictive ‘reputational’ risk from this risk list?**

The Chairman stated that this question would be addressed under the Performance and Risk item on the agenda.

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

No interests were declared under this item.

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

The minutes of the meeting held on 26 January 2021 were confirmed as a true and accurate record.

## **90. CHAIRMAN'S ANNOUNCEMENTS (00:08:00)**

The Chairman welcomed Grace Hawkins to the meeting who would be the regular representative from Grant Thornton attending future meetings of the Audit Committee. She had replaced Andrew Davies as the Engagement Lead.

## 91. GRANT PAYMENT CHECKING REPORT

The Group had before it, and **NOTED**, a report \* from the Operations Manager for Performance, Governance and Health & Safety. As part of the Covid response Mid Devon District Council had been responsible for paying significant sums in grant funding on behalf of Business Energy & Industrial Strategy (BEIS). It was suggested that the Audit Committee would want to seek assurance about the process for ensuring grants were paid only to those who were eligible.

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

- Large sums of money were involved which was why assurance regarding the checking procedures was needed.
- As time had gone on, the process for checking had become much slicker. The Revenues and Growth and Economic Development Team had been instrumental in this with a much smoother and faster process now in place.

The Committee congratulated those involved for a remarkable achievement.

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

## 92. ANTI-FRAUD AND CORRUPTION STRATEGY (00:13:00)

The Committee had before it a report \* from the Operations Manager for Performance, Governance and Health & Safety presenting the reviewed and updated Anti-Fraud and Corruption Strategy. The Audit Committee needed to consider the strategy and appendices together to reach an understanding on where the Council was with regards to fraud prevention and discovery.

The contents of the report were outlined with reference to:

- Following the discussion at the last meeting, the Operations Manager for Performance, Governance and Health & Safety had liaised with DAP and other necessary parties to produce a report providing greater clarity on the substance of the strategy.
- More detail was provided with regard to assessing 'risk' and the matrix used to do this.
- The process for referral of fraud concerns was highlighted as was the escalation process. The Corporate Manager for Revenues, Benefits and Recovery was identified as the lead officer within the Corporate Management Team who would take responsibility for this issue.
- DAP were now content that a more proactive approach was being taken by the Council.

**RESOLVED** that the Anti-Fraud and Corruption Strategy be approved.

(Proposed by the Chairman)

Reason for the decision:

Without the policy and strategy the Council is at risk of not detecting fraud, corruption or financial irregularities, which could result in significant loss to the Council and damage its reputation.

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

93. **PERFORMANCE AND RISK REPORT (00:18:00)**

The Committee had before it, and **NOTED**, a report \* from the Operations Manager for Performance, Governance and Health & Safety providing it with an update on performance against the Corporate Plan and local service targets for 2020-21 as well as providing an update on the key business risks.

Discussion took place with regard to:

- The need for more qualitative data in relation to Freedom of Information requests such as how many were received and how many were refused as opposed to simply whether the responses were timely. It was explained that this information was currently available on the website. However, it was felt that it would be relatively easy to condense this information into a regular report rather than checking the website.
- The Council providing electric car charging points but it could not make people use them.
- Staff turnover figures.

The Cabinet Member for Finance responded to the question raised during in Public Question Time. He stated that Mr Quinn had made quite an extensive statement which included a number of assertions that were incorrect and therefore misleading. Rather than correct those 'on the hoof' he would like to respond in writing to his statement and question.

He continued....that said, there is absolutely no intention to muzzle Councillors who have been encouraged to raise any questions about the business but respecting Part 2 confidentiality about commercial sensitivities. And they have, regularly.

However, there is no doubt that there is a risk that were confidentiality not respected or inaccurate public statements made there is a direct reputational risk to 3 Rivers Development Ltd in that it potentially shakes confidence in the company, makes contracting potentially more challenging (expensive, delay etc.) and could even have a knock-on impact on confidence in the product. Any of those could impact the company's ability to return a profit to the Council in due course. It therefore is also a direct risk to the Council.

**RECOMMENDED** to the Cabinet that the targets suggested for 2021/2022 against the Corporate Plan Performance Framework be approved with the addition of the following:

That information with regard to the number of Freedom of Information requests made, the number refused and the number reviewed be contained from now on within the regular Performance and Risk report.

(Proposed by Cllr A Wilce and seconded by Cllr S Penny)

Reason for the decision:

If performance is not monitored we may fail to meet our corporate and local service plan targets or to take appropriate corrective action where necessary. If key business risks are not identified and monitored they cannot be mitigated effectively.

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

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

The Committee had before it, and **NOTED**, a report \* from the Operations Manager for Performance, Governance and Health & Safety providing it with an update on progress made against the Annual Governance Statement 2019/20 Action Plan.

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

95. **WHISTLEBLOWING POLICY (00:46:00)**

The Committee had before it a report \* from the Operations Manager for Performance, Governance and Health & Safety presenting it with the updated Whistleblowing Policy.

It was explained that only minor changes had been required to bring the policy up to date such as some corrections to job titles.

**RESOLVED** that the updated Whistleblowing Policy 2021 be approved.

(Proposed by the Chairman)

Reason for the decision:

Without this Policy MDDC is at increased risk of not detecting fraud, corruption or financial irregularities, which could result in loss to the Council or damage its reputation.

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

96. **RISK MANAGEMENT POLICY (00:48:00)**

The Committee had before it a report \* from the Operations Manager for Performance, Governance and Health & Safety presenting it with the updated Risk Management Policy for approval.

It was explained that 'Opportunity' had been removed from the title of the policy but that sections 4.5 and 5.4 of the policy provided detail on how 'Opportunities' were to be considered at the same time as risks. A number of examples where this could happen were provided.

**RESOLVED** that the updated Risk Management Policy be approved.

(Proposed by the Chairman)

Reason for the decision:

- i. Failure to take advantage of opportunities and mitigate business risks could impact on the Council's ability to deliver its strategic objectives.
- ii. Assessment of the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability is a key element of the Council's governance arrangements.

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

97. **INTERNAL AUDIT PROGRESS REPORT (00:51:00)**

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

The contents of the report were outlined and discussion took place with regard to:

- The internal audits that had taken place since the last meeting as well as fraud prevention work.
- Detail in relation to the Payroll review.
- The need for better controls in the digitalisation and social media area.
- Clarification needed in respect of the use of waivers in the Procurement area.
- The remaining audits for 2020/2021 were listed including Climate Change and Cyber Security.
- Completion of some audit recommendations had been deferred due to the pandemic.
- Procurement training was now available through the Learning and Development system via SharePoint.
- 5 outstanding recommendations from 2018 in the Development Management S106 area and whether these still related to IT and staff resourcing issues? It was confirmed that this was due to the complexity of the systems. It was **AGREED** that contact be made with the head of IT to express the concerns of the Committee and ask what could be done to resolve the outstanding issues.
- Concerns regarding the fragility of the Payroll system following a recent upgrade which had resulted in issues requiring daily intervention from IT Services. However, the ability to run the payroll from home had been tested and there were back up plans in place should an issue occur. These back ups were all contained within the business continuity plan.

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

98. **INTERNAL AUDIT ASSURANCE MAPPING 2020/21 (01:02:00)**

The Committee had before it, and **NOTED**, a report \* from the Devon Audit Partnership setting out how during the year they had developed an assurance map for Mid Devon, to provide a high level graphical picture of the effectiveness of key controls on which the Council relied to ensure integrity and effectiveness in its

operations. This report provided an update on this work which they were delivering as part of the core audit delivery model for the Council.

The contents of the report were outlined and reference was made to:

This was a respected tool used within the banking industry.  
Mapping work to date had led to some areas being identified as needing better controls or more clarification.  
The 3 lines of defence system was explained.  
The importance attached to the organisation needing to be self aware and to instigate action when needed to address areas of concern.

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

99. **INTERNAL AUDIT PLAN 2021 - 2022 (01:07:00)**

The Committee had before it a report \* from the Devon Audit Partnership setting out the Internal Audit Plan for Mid Devon for 2021-2022.

Reference was made to the following within the report:

- This was a flexible plan providing a wide range of assurance regarding the internal control framework.
- It was anticipated that there would be some changes to the plan due to the ongoing effects of the pandemic.
- DAP were pleased to be working with Council colleagues on fraud prevention work.

**RESOLVED** that the Internal Audit Plan 2021 – 2022 be approved.

(Proposed by the Chairman)

Reason for the decision:

The Audit Committee is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework.

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

100. **INTERNAL AUDIT CHARTER AND STRATEGY (01:12:00)**

The Committee had before it a report \* from the Devon Audit Partnership presenting the revised Internal Audit Charter and Strategy for 2021 – 2022.

**RESOLVED** that the Internal Audit Charter and Strategy for 2021 – 2022 be approved.

(Proposed by the Chairman)

Reason for the decision:

To recognise the key role of Internal Audit in understanding the key risks of the Council, to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation, and contribute to proper economic, efficient and effective use of resources

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

**101. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE (01:15:00)**

The Committee had before it, and **NOTED**, a report \* from Grant Thornton providing an update on their responsibilities as the Council's external auditors.

The following was highlighted within the report:

- Changes within the Audit team which it was explained was good practice.
- Work in relation to the Certification of the Housing Benefit Subsidy Claim was ongoing. To date there had been no adverse findings.
- A number of areas had been identified as needing to be looked at in greater detail, more information would be provided at the next meeting.
- The Audit Plan was currently being worked up and would be presented to the next meeting.
- Changes with regard to how Value for Money work was to be undertaken in future was explained. The National Audit Office had issued new requirements.

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

**102. CHAIRMAN'S ANNUAL REPORT FOR 2020/2021 (01:24:00)**

The Committee had before it, and **NOTED**, a draft report \* from the Chairman of the Committee on its work during 2020/2021. A final copy of the report would be submitted to Council on 28 April 2021.

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

**103. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:25:00)**

In addition to the items listed in the work programme the following was requested to be added to the agenda for the next meeting:

- Annual Governance Statement Action Plan update
- External Audit Plan for 2021/22

(The meeting ended at 6.55 pm)

**CHAIRMAN**