

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 27 July 2021 at 5.30 pm

Present

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

Apology

Councillor A Wyer

Also Present

Councillors G Barnell, R M Deed, R Evans, R F Radford and B G J Warren

Present

Officers Andrew Jarrett (Deputy Chief Executive (S151)), Paul Deal (Corporate Manager for Finance), Catherine Yandle (Operations Manager for Performance, Governance and Health & Safety), Paul Middlemass (Audit Manager), Kieran Knowles (Accountant), Carole Oliphant (Member Services Officer) and Sarah Lees (Member Services Officer)

Also

In attendance Grace Hawkins (Grant Thornton)

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

RESOLVED that Cllr S J Penny be elected as Chairman of the Audit Committee for the municipal year 2021/2022.

2. ELECTION OF VICE CHAIRMAN

RESOLVED that Cllr A White be elected Vice Chairman of the Audit Committee for the municipal year 2021/2022.

3. APOLOGIES

Apologies were received from Cllr A Wyer who was substituted by Cllr F Letch.

4. PROTOCOL FOR HYBRID MEETINGS

The protocol for hybrid meetings was noted.

5. PUBLIC QUESTION TIME

There were no questions from members of the public.

6. DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT

No interests were declared under this item.

7. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 23 March 2021 were confirmed as a true record and signed by the Chairman.

8. CHAIRMAN'S ANNOUNCEMENTS

The Chairman informed the Committee that David Curnow from the Devon Audit partnership would be retiring shortly. Mr Curnow had supported the Audit Committee and had been the Internal Audit lead since 2017. He wished to thank him for all his help and support during that time. On behalf of the Committee he wished him a long and happy retirement.

9. START TIME OF MEETINGS

The Committee **AGREED** to continue to meet on Tuesday evenings at 5.30pm.

10. PERFORMANCE & RISK OUTTURN REPORT 2020/21 (00:10:00)

The Committee had before it, and **NOTED**, a report * from the Chief Executive providing Members with the outturn on performance against the Corporate Plan and local service targets for 2020/2021.

The contents of the report were outlined and discussion took place regarding:

- The Council aimed to work with Community Land Trusts and other organisations to deliver homes retained in perpetuity for local need.
- It was confirmed that the Tiverton WiFi project was being progressed.
- The Deputy Chief Executive (S151) would provide the Audit Committee with an update on the creation of the South West Mutual Bank following the meeting, the precise details were not to hand during the meeting itself. Following this, if there were issues that Members wanted to discuss they could be brought before this Committee at the next meeting.
- The Council had received funding of £534,410 to specifically help adversely affected individuals through Hardship funding and for Self Isolation payments. Payments had continued to be made against both funds to date. An officer had been specifically appointed to signpost those in need to apply to this fund.

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

11. DRAFT ANNUAL GOVERNANCE STATEMENT & CORPORATE GOVERNANCE FRAMEWORK (00:20:00)

The Committee had before it, and **NOTED** the draft * Annual Governance Statement and Action Plan and accompanying Corporate Governance Framework for 2020/2021.

The Committee were asked to consider whether there were any comments they wished to make regarding the draft document, did anything need to be added, removed or amended? The following comments were made:

- An explanation was requested regarding the 'Evolve' project which was described as several HR workstreams; to monitor performance management

on-line, a new competency framework and which could also facilitate a skills audit, this was yet to be completed and had not met the deadline in the Action Plan.

- As a result of more hybrid working proposals, a significant investment and upgrade of the Council's IT arrangements would need to take place and this would take some time with a completion date of 30 September 2022 in the Action Plan.
- It was confirmed that there was no backlog of data entry work as a result of the pandemic. A system called 'Citizen Access' had been brought in to help customers pay council tax promptly on-line. Other arrangements for paying were still in place for those people who were not so IT competent.
- Concern was expressed regarding the number of empty Council homes in the district. However, it was explained that the Council could simply not take back houses where there were outstanding legal issues. There was a process to go through via the courts and due to the Covid situation the courts were taking longer than usual to process cases.

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

12. **DRAFT STATEMENT OF ACCOUNTS FOR 2020/2021**

The Committee had before it, and **NOTED**, the draft version of the annual Statement of Accounts. The final set of accounts and the audit opinion would be presented to the September Committee.

Consideration was given to:

- A review of the impairment provision against 3 Rivers Developments Ltd had concluded that no further or indeed reduction in impairment was required. It was explained that there was significant opportunity for the company to repay the loans before they were due. Small loans were being issued post impairment but repayments were being made.
- A request was made to provide Members with full details in relation to the cumulative lending for 3 Rivers operating costs as well as a repayment schedule. The Deputy Chief Executive (S151) that he would be happy to meet with any Member having concerns in this area to go through the detailed accounting in relation to this issue.
- The meaning of a 'smoothing' reserve.
- Concerns regarding the pensions liability. It was forecasted that a higher contribution rate would need to be paid in the future.

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

13. **INTERNAL AUDIT PROGRESS REPORT 2021 - 2022 (00:55:00)**

The Committee had before it, and **NOTED**, a report from the Devon Audit Partnership presenting a summary of the work undertaken by internal audit to date.

A summary of the contents of the report was provided and reference was made to:

- Overall, based on work performed during 2021/2022 and experience from the current year progress and previous years' audit, the Head of Internal Audit's

Annual Opinion at this time was one of 'Reasonable Assurance' on the adequacy and effectiveness of the Council's internal control framework.

- The number of audit recommendations had increased slightly as a result of recent audits.
- The Corporate Debt Recovery Policy would be reviewed in the coming year to see if it was being implemented effectively.
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Note: * Report previously circulated; copy attached to the signed minutes.

14. **DAP ANNUAL REPORT FOR 2020 - 2021 (01:02:00)**

The Committee had before it, and **NOTED**, the DAP Annual Report * updating it on the work performed by internal audit during the financial year 2020/2021. This should be considered alongside the Council's own Annual Governance Statement.

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

- The opinion of 'Reasonable Assurance' was explained as being a good outcome during a pandemic.
- DAP were satisfied that adequate controls had been maintained.
- Details included in the assurance map indicated some trends the Council needed to focus on such as 3rd party resilience and governance, fraud, input processing and output controls. It had been identified that perhaps a more proactive approach needed to be taken to identify and address areas of weakness.
- Internal audit assessments could be discussed with any Member of the Council so long as confidential elements were respected.

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

15. **EXTERNAL AUDIT PROGRESS REPORT (01:15:00)**

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.

The following was highlighted within the report:

- It was confirmed that they had received the draft accounts and their audit had commenced in the previous month.
- There was still work to do in relation to the Devon Pension Fund, however, their audit findings would be presented to the September Committee.
- The concept of 'Management over-ride of controls' was described as being the processes and controls in place in areas such as journals and estimates to prevent management intentionally misstating transactions. The external auditors would be undertaking a review of this area to assess whether there had been any management bias.

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

16. **EXTERNAL AUDIT PLAN 2020/2021 (00:18:00)**

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's accounts for 2020/2021.

Consideration was given to the following within the report:

- A new code in relation to Value for Money arrangements.
- Analysis of accounting estimates and control of risk would play a key part in the external audit.
- An increase in the audit fee and how this was justified? It was explained that the Redmond Review had highlighted that there had generally been an undercharge of audit fees nationally but an increase in the number of regulations that needed to be complied with by external auditors.

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

17. **EXTERNAL AUDIT - ACCOUNTING ESTIMATE MANAGEMENT SUMMARY (01:25:00)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton setting out queries in relation to some accounting estimates in the financial statements and the MDDC management response.

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

18. **EXTERNAL AUDIT - PSA INFORMING THE AUDIT RISK ASSESSMENT 2020-21 (01:27:00)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton setting out what was needed with regard to the two way communication process between them and the Council's Audit Committee in matters where risk needed to be assessed.

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

19. **ACCESS TO INFORMATION - EXCLUSION OF THE PRESS AND PUBLIC (01:28:00)**

Prior to considering the following item on the agenda discussion took place as to whether it was necessary to pass the following resolution to exclude the press and public having reflected on Article 15 15.02 (d) (a presumption in favour of openness) of the Constitution.

RESOLVED that: under section 100A (4) of the Local Government Act 1972 the public be excluded from the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 respectively of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

(Proposed by the Chairman)

20. LESSONS LEARNED FROM THE DISPOSAL OF PARK NURSERY

The Committee had been requested by the Cabinet to undertake a 'lesson learned' review of the sale of Park Hill nursery and to report back having considered the financial and 'other' impacts from the process followed and to provide recommendations for future such endeavours.

Following consideration of the briefing paper provided, it was confirmed that the Committee's observations and recommendations would be taken back to the Cabinet for their consideration.

The meeting returned to open session.

Note: *Briefing paper previously circulated.

21. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:42:00)

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

- The need for a second member of the Committee to volunteer to attend DAP Board meetings alongside the Chairman.
- To discuss a potential increase of numbers on the Audit Committee.

(The meeting ended at 7.15 pm)

CHAIRMAN