

## **MID DEVON DISTRICT COUNCIL**

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 21 September 2021 at 5.30 pm

**Present  
Councillors**

W Burke, Mrs C Collis, N V Davey,  
R F Radford and A Wyer

**Apologies  
Councillors**

S J Penny and A White

**Also Present  
Councillors**

R Evans, B A Moore and B G J Warren and A Wilce

**Also 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), Clare Robathan (Policy and Research Officer) and Sarah Lees (Member Services Officer)

**Also  
In attendance**

Grace Hawkins and Julie Masci (Grant Thornton)

### **22. ELECTION OF CHAIRMAN**

The Chairman and Vice Chairman of the Audit Committee had sent their apologies for the meeting therefore there was a need to elect a Chairman from the floor for the purposes of this one meeting.

It was **RESOLVED** that Cllr A Wyer be elected Chairman for this meeting only.

### **23. APOLOGIES**

Apologies were received from Cllr S J Penny who was substituted by Cllr R F Radford. Apologies were also received from Cllr A White.

### **24. PROTOCOL FOR HYBRID MEETINGS**

The protocol for hybrid meetings was noted.

### **25. PUBLIC QUESTION TIME**

There were no members of the public present and no questions had been received in advance of the meeting.

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

There were no interests declared under this item.

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

The minutes of the meeting held on 27 July 2021 were confirmed as a true record and signed by the Chairman.

## **28. CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

## **29. PERFORMANCE AND RISK (00:05:00)**

The Committee had before it, and **NOTED**, a report \* from the Operations Manager for Performance, Governance and Health & Safety providing Members with an update on performance against the Corporate Plan and local service targets for 2021-2022 as well as providing an update on the key business risks.

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

## **30. ANNUAL GOVERNANCE STATEMENT (00:10:00)**

The Committee had before it a report \* from the Operations Manager for Performance, Governance and Health & Safety presenting the Committee with the finalised Annual Governance Statement and Action Plan and accompanying Corporate Governance Framework for 2020/21.

The following was highlighted within the report:

- It was a statutory requirement for this document to be presented to and approved by the Audit Committee.
- Comments made by both internal and external audit had been incorporated within the Statement.
- The areas where improvements were required were highlighted within the action plan.
- Two items had been brought forward from last year's action plan which were not yet complete, items 3, 4, 5 and 6 were all new actions.
- Reference needed to be made within the Statement to the recent internal audit on Governance and the work conducted in relation to the CIPFA Principle Code 2.

**RESOLVED** that the Annual Governance Statement for 2020/21 be approved and that the Leader of the Council and the Chief Executive sign the Statement as per the statutory guidance following the approval of the annual accounts by the Audit Committee.

(Proposed by the Chairman)

Reason for the decision:

Having good governance arrangements and an effective internal control environment is a fundamental element of being a well-managed council. Failure to produce an

Annual Governance Statement would result in the Council breaching the Accounts and Audit Regulations 2015.

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

### **31. PSAA CONSULTATION - BRIEFING NOTE (00:16:00)**

The Committee had before it, and **NOTED**, a briefing paper \* regarding the Public Sector Audit Appointments Ltd (PSAA) Consultation.

The Corporate Manager for Finance outlined the contents of the report and highlighted the following:

- The paper set out the background as to how external auditors had been procured between 2018/19 to 2022/23. The initial procurement on behalf of more than 480 bodies had been very successful allowing PSAA to enter into long term contracts during that period with five experienced and respected firms.
- In autumn 2021 all local government bodies would need to make decisions about their future external audit arrangements. Issues such as fees, the scope of each audit and the size of the pool the PSAA could choose from would need to be considered.
- A paper setting out further details would be presented to the next meeting.

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

### **32. REDMOND REVIEW OF LOCAL AUTHORITY FINANCIAL REPORTING AND AUDIT OVERVIEW (00:20:00)**

The Committee had before it, and **NOTED**, a briefing paper \* regarding the Redmond Review of Local Authority Financial Reporting and Audit Overview.

The Corporate Manager for Finance outlined the contents of the report and highlighted the following:

- The background to the review by Sir Tony Redmond and why it had been undertaken.
- One of the key issues identified with local audit was an ineffective balance between price and quality with 40% of audits nationally in 2018/19 failing to meet required deadlines.
- In May 2021 it was announced by the Government that a new standalone unit would be established within the proposed new regulator, Audit, Reporting and Governance Authority (ARGA) which would replace the Financial Reporting Council (FRC). It would have overarching responsibility to make sure the local audit framework operates in a coherent and joined up manner.

The comment was made that the public do not always have the same technical knowledge as the financial professionals and that this should be remembered when presenting financial information to both members of the public and elected Members.

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

### **33. INTERNAL AUDIT PROGRESS REPORT 2021-22 (00:23:00)**

The Committee had before it, and **NOTED**, a report \* from the Devon Audit Partnership presenting a progress report on the internal audit function during the 2021/22 year so far.

4 internal audits were summarised with the report:

- **Cyber Security – Malware and Ransomware Phase 1** – this had been given a ‘Reasonable Assurance’ opinion. It was recognised that this was a high priority area with many of the required controls in place, however, 6 high priority recommendations would need to be taken forward quite quickly. The second phase of the audit would look at response and recovery.
- **Stores** – it had been recognised that it had been useful for the Council to have a Stores department during the period of the pandemic. The audit had identified some opportunities to improve the procurement process.
- **Governance** – it was acknowledged that there was a lot of information on the website and opportunities for members of the public to keep abreast of what was happening within the meeting structure of the Council. However, there was an opportunity to provide an annual report to list in summary what the Council was and had been doing, including all the good news stories presented in one place. The Governance Working Group had undertaken a great deal of work but this was still a ‘work in progress’.
- **Care Services – Alarm Management** – This was a high risk area in terms of Customer safety and Council reputation. The service had been significantly impacted by Covid.

Discussion took place with regard to the number of overdue audit recommendations. This figure was deemed to be too high and needed to be reduced as a matter of urgency. The Deputy Chief Executive (S151) stated that he would take responsibility for chasing these with the necessary officers and he was confident an improved position would be reported to the next meeting in November.

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

### **34. GRANT THORNTON - DRAFT AUDIT FINDINGS REPORT (00:36:00)**

The Committee had before it, and **NOTED**, a report\* from Grant Thornton setting out their draft audit findings for 2020/21.

The following was highlighted within the report:

- They had not yet completed their Value For Money work and so were not in a position to issue their final audit findings report. They expected to be able to do this by 31 December 2021.
- They had substantially completed their audit of the Council’s financial statements and subject to resolving some outstanding queries, anticipated issuing an unqualified audit opinion imminently. These queries related to the following areas:
  - Receipt and review of the Pension Fund Auditor Assurance letter
  - Receipt and review of evidence from the External Valuer in relation to the valuation of Land, Buildings and Council Dwellings

- Receipt and review of grant evidence
- Receipt and review of group sample evidence
- Receipt and review of proposed adjustments in relation to pension charges
- Receipt of management representation letter
- Review of the final set of financial statements

Discussion took place regarding:

- The final certification form from the Pensions Actuary and the format of this.
- The 'additional fees' mentioned within the report. It was explained that these were determined by the PSAA and that since 2018 the regulatory burden upon external auditors had increased substantially as had the complexity of the work they were required to undertake.
- The new Value For Money approach required broader, more in depth work and there were new auditing standards for estimates.

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

### 35. AUDIT COMMITTEE SIZE (00:53:00)

The Committee discussed whether there was a need to increase the membership size of the Audit Committee:

The following points were raised during discussion:

- This was an important Committee having significant responsibility for looking at assurance and all manner of risks within the authority.
- The Committee had a significant workload much of which was legally required to be completed on an annual basis.
- It was the smallest committee in terms of size yet had significant responsibility. The size of the Policy Development Groups and Scrutiny Committee were noted.
- The Audit Committee was technical in nature and training needed to be undertaken before a Member could sit on it.

**RECOMMENDED** to the Standards Committee that it consider increasing the Audit Committee size from a membership of 7 to a membership of 9.

(Proposed by Cllr N V Davey and seconded by Cllr R F Radford)

Reason for the decision:

For the reasons listed above as well as provided a wider pool of Members' knowledge and experience from which to draw.

### 36. DAP REPRESENTATION (01:00:00)

The Committee discussed the need to elect a second representative from within its membership to attend DAP board meetings alongside the Chairman on a twice yearly basis.

It was **AGREED** that Cllr A Wyer be the second Audit Committee representative to attend DAP Board meetings.

### **37. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:02:00)**

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

- PSAA external audit arrangements

(The meeting ended at 6.35 pm)

**CHAIRMAN**