

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 25 January 2022 at 5.30 pm

Present

Councillors

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

Apologies

Councillors

R L Stanley and A Wilce

Also Present

Councillors

D R Coren, Mrs C P Daw, R M Deed, R Evans, B A Moore
and B G J Warren

Also Present

Officers

Andrew Jarrett (Deputy Chief Executive (S151)), Catherine Yandle (Operations Manager for Performance, Governance and Health & Safety), Paul Deal (Corporate Manager for Finance), Lisa Lewis (Corporate Manager for Business Transformation and Customer Engagement), Paul Middlemass (Audit Manager), Jason Ball (Climate and Sustainability Specialist), Sally Gabriel (Member Services Manager) and Sarah Lees (Member Services Officer)

Also in

Attendance

Grace Hawkins (Grant Thornton)

52. **ELECTION OF CHAIRMAN**

RESOLVED that Cllr N V Davey be elected Chairman of the Audit Committee for the remainder of the municipal year 2021/2022.

53. **ELECTION OF VICE CHAIRMAN**

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

54. **APOLOGIES**

Apologies were received from Cllr R L Stanley who was substituted by Cllr R F Radford. Apologies were also received from Cllr A Wilce.

55. **PUBLIC QUESTION TIME**

There were no members of the public present and none had registered to ask a question in advance.

56. **DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT**

No interests were declared under this item.

57. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 16 November 2021 were confirmed as a true record and signed by the Chairman.

58. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman informed the Committee that this would be the last Audit Committee meeting that Catherine Yandle, Operations Manager for Performance, Governance and Health & Safety, would be attending having taken up a new post elsewhere. Catherine had attended each and every Audit Committee since May 2010 and had provided invaluable knowledge and support to the Committee during that time. She had also helped to provide training to all the many Members that had come and gone in the 12 years that she had been with the Council. On behalf of the Committee, he wished Catherine well in her new ventures and thanked her for all that she had contributed both to the Council as a whole but specifically to the Audit Committee.

59. **PERFORMANCE AND RISK REPORT (0010:00)**

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 2021-22 as well as providing an update on the key business risks.

Cllr A Wilce had been unable to attend the meeting but had submitted questions in advance in relation to several areas covered by this report which he wished to be asked:

Question one

Cllr Wilce had stated that with regard to the 3 Rivers Development Ltd (3RDL) Business Plan 'Anomalous figures had been presented to the last Audit Committee, will corrected figures be presented to this Committee and did this affect the Accounts?'

Answer

The Corporate Manager for Financial Services explained that the Audit Committee had received the corrected figures at the last meeting and, no, this had not affected the Accounts.

Question two

Cllr Wilce stated that there were currently two risks listed in relation to 3RDL referring to 'Failure of the Company' and 'Reputational Damage'. Budget updates had been delivered to each of the PDG's, Cabinet and the Scrutiny Committee citing the main reasons for the budget deficit being in relation to 'Reduced income from investments, particularly due to slippage in 3RDL' and 'the revised Capital Programme'. He further

stated that in real terms there was a risk to MDDC if 3RDL did not borrow the amounts of money and repay the expected interest. Also, if 3RDL did not complete the developments and achieve the expected income. Cllr Wilce further stated that there was an additional risk if 3RDL over ran or overspent on developments within the plan. He therefore suggested that a third risk should be added, that being 'Failure of the Company to adhere to agreed Business Plans'.

Answer

The Operations Manager for Performance, Governance and Health & Safety and the Corporate Manager for Financial Services both stated that a third risk already existed around 'Governance arrangements' generally and the threat of this in relation to the 'Failure of the Company', therefore this was covered. This was supported by the Committee who did not feel anything needed to be added to the risks already listed.

Question three

The Corporate Risk Management table stated that there were monthly updates to the Cabinet with regard to a possible 3RDL failure. Cllr Wilce stated this was incorrect and now only happened every two months, should this be corrected?

Answer

Initially updates to the Cabinet had been given to each monthly meeting, however, the Cabinet Member for Housing and Property Services and Deputy Leader explained that at the current moment in time there were a limited number of projects in development. The Cabinet had agreed that updates should be received bi-monthly but this would be reviewed as and when the number of projects increased.

The Performance and Risk report would be updated to reflect this decision.

Question four

Cllr Wilce referred to Freedom of Information Requests (FOI) within the report and the fact that it was stated that 140 had been received and 116 had been replied to. This meant that there were 24 still outstanding at end of the period. Is that correct and if so, why? When will these 24 be reported? Will these 24 be carried over to the next Quarter (Q4)? Were there any carried over from the previous Quarter (Q2)? If there were carry overs from Q2 – how many and how were they completed?

Of the 116 Replies, 65 were granted in full, 29 were refused in part, or in full. Therefore, 94 were either refused or granted. What happened with the other 22 replies?

Answer

The Operations Manager for Performance, Governance and Health & Safety stated that it was a rolling report, there were outstanding FOI's at the start and end of each month but outstanding FOI's would be answered in the following reporting period on a rolling basis. Statistics were reported on a monthly basis on the SPAR performance system but quarterly on the website, as per the Cabinet Office rules. Therefore at any one point in time there would always be outstanding FOI's.

Of the 140 FOI's received up to 31 December 2021, all of them had been replied to by 18 January 2022.

The 22 remaining FOI's were all ones which weren't the responsibility of the District Council but were mainly the responsibility of Devon County Council instead. Technically they were 'exempt' for this reason.

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

60. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:20:00)**

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 2020/2021 Action Plan.

The following was highlighted within the report:

- Two of the outstanding actions had now been completed and progress had been made on 4 others.
- Tracked changes had been shown on the report deliberately so the Committee could see what had changed since the last meeting. It was explained that some dates for completion had changed.

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

61. **INTERNAL AUDIT PROGRESS REPORT 2021 - 2022 (00:25:00)**

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 2021/2022 year so far.

It was explained that the internal audit function had recently been externally assessed and had been judged to 'Generally Conform' which needed to be viewed as a positive result despite the rather negative terminology used.

The following was highlighted within the report:

- Overall, the Head of Internal Audit's Opinion was still one of 'Reasonable Assurance' on the adequacy of the Authority's internal control framework.
- The audits undertaken since the last meeting were briefly referred to and it was pointed out that Committee members had received the full reports in relation to these within the last few weeks.
- 'Cyber Security' has received a 'Limited Assurance' opinion. 'Trade Waste' and 'Business Continuity' had received a 'Reasonable Assurance' opinion.
- Progress in delivering the Audit Plan had been difficult due to staffing issues and the need to train up new staff.
- The number of overdue audit recommendations had increased from 13 to 17. Internal Audit had met with management to discuss what could be done to ensure recommendations were implemented as soon as possible.

Discussion took place with regard to:

- The importance of the Cyber Security area. The audit opinion had been judged to be fair and accurate by the manager of this area. There was a plan to address any weaknesses and these would be presented to management imminently. The Manager was happy to discuss this with the Committee outside of the meeting should they wish.
- The bulk of audits across the DAP area of work within the region were assessed as of 'Reasonable Assurance. It was explained that it would be quite challenging for a Council to receive an opinion of 'Substantial Assurance'. An Assurance map would be presented to the next meeting to aid understanding of this area.

In terms of some of the audit recommendations not yet implemented:

- The Procurement Manager had left the Authority in April 2021 and after a recruitment exercise the Council had failed to appoint an adequate replacement. As a result the Council had entered into partnership with the Devon County Council Procurement team. Procurement training to staff would be rolled out by in-house Procurement team.
- The creditor master file would be updated by 31 March 2022.
- Job Evaluation work would continue as soon as staff resources became available to do so.

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

62. **ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS FROM 2023/2024 (00:50:00)**

The Committee had before it a report * from the Deputy Chief Executive (S151) advising Members of the options and legislative requirement to appoint External Auditors for the Accounting periods from 2023/24 and to seek Member endorsement of the recommended option for Council approval.

It was explained that the Audit Committee had received a briefing regarding this matter at their September meeting, more details were now before them. The two options open to the Committee for recommendation were explained, as outlined in the report.

A brief discussion took place regarding whether the fee quoted in the report was just a base fee or whether an additional fee would be incurred on top of that? It was explained that the figure quoted was just the base fee and that additional fees of circa £9,500 should be expected on top of that.

RECOMMENDED to full Council that it agrees to opting into the PSAA procurement process for the appointment of an External Auditor from 2023/24.

(Proposed by the Chairman)

Reason for decision:

The principal risks are that the Authority:

1. Fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
2. Does not achieve value for money in the appointment process.

These risks are considered best mitigated by opting into the sector-led approach through PSAA. The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

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

63. **REVIEW AND REVISION OF THE FINANCIAL REGULATIONS (01:00:00)**

The Committee had before it a report * from the Deputy Chief Executive (S151) making recommendations for amendments to the Financial Regulations of the Authority to ensure they are appropriate, reflecting the Authority's latest structure and delegations.

The following was highlighted within the report:

- The tracked changes within the report were referred to. This included a change of job titles, a revision of thresholds to reflect a change in corporate structure and a tightening up of Procurement rules. There had also been a change under the 'Emergency Action' section in terms of the 'sign off' requirements. The Committee were asked to consider whether they were satisfied with these changes.
- It was explained that the Council had only had to consider using the 'Emergency Action' regulation once in recent years and that was in relation to the Canal breach in November 2012.
- The process for what needed to happen if a future 'Emergency Action' regulation needed to take place was explained and this was outlined in section 6.8 of the revised Regulations.
- The 'Exemption' clause at section 5.1.8 was explained as was the reporting mechanism to the Cabinet for when this took place.

| **RECOMMENDED** to full Council that the revisions to the Regulations are approved.

(Proposed by the Chairman)

Reason for the decision:

Failure to comply with legislation could lead to non-compliance and potentially prosecution and claims for damages. Failing to review thresholds and procedures could lead to inefficient practices damaging value for money assessments.

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

64. **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE (01:10:00)**

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

It was explained that the Value For Money work would be completed by the end of February 2022 as per the ruling from the National Audit Office. Final fees would be submitted to the PSAA who would need to approve them before the Council were notified.

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

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

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

(The meeting ended at 6.45 pm)

CHAIRMAN