

## MID DEVON DISTRICT COUNCIL

MINUTES of a MEETING of the AUDIT COMMITTEE held on 22 November 2022 at 5.30 pm

### Present

#### Councillors

N V Davey (Chairman)  
J Buczkowski, R Evans, R F Radford, R L Stanley, A White,  
Mrs N Woollatt and A Wyer

### Apologies

#### Councillors

Mrs C Collis

### Also Present

#### Councillors

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### Present

#### Officers:

Andrew Jarrett (Deputy Chief Executive (S151)), Dean Emery (Corporate Manager for Revenues, Benefits and Recovery), Lisa Lewis (Corporate Manager for Business Transformation and Customer Engagement) and Matthew Page (Corporate Manager for People, Governance and Waste)

## 35. APOLOGIES

Apologies were received from Cllr Mrs C Collis.

## 36. PUBLIC QUESTION TIME

Mr N Quinn, a local resident stated:

Regarding Agenda Item 11 – 3 Rivers Business Plan

A year ago, the 3 Rivers Business Plan published for the Audit Committee contained a Financial transactions table that had errors in it. This table had to be replaced, at the last minute, to provide the correct figures.

This new 3 Rivers Business Plan was published with Interest Received figures, in the first three columns, that are different to those in the corrected table issued last year. I pointed this out at Scrutiny Committee, yesterday, but no last minute correction table this time.

The Data Quality Policy (Agenda item 6) states that having accurate information is crucial to good decision making - so this difference is worrying.

### **Question 1: Are Audit Committee concerned about the Data Quality of reporting for Council/3 Rivers Group financial transactions?**

Audit Committee are charged with consideration of risk and mitigations in this Business Plan.

The Risk Assessment section at the beginning of this report states that risk "*is detailed within the report*". But it is not detailed in the public report - I hope it is properly addressed in the confidential reports.

The current housebuilding sector is volatile, and your Risk report (at Agenda item 7, appendix 6), shows the risk of failure of 3 Rivers, is still High.

The External Audit Report (at Agenda item 9) says that the Council needs to consider the Group financial statements in relation to "*an increased write-off of Work in Progress and the*

*removal of a deferred tax asset*” and that the Council “*consider the impact of these findings on their current expected credit loss provision*”.

**Question 2: Do Audit Committee consider they have been given enough information, in this Business Plan, to properly evaluate the risks and mitigations, before advising Cabinet?**

The Deputy Chief Executive (S151) responded:

Q1. Disagreed that some of those items were errors, it was information that had changed after circumstances had changed. This was clarified at Audit Committee and Full council when first raised. The Table shown in appendix 11 was the aggregated interest received by the council from the company is correct.

A written response would be provided for the remaining question.

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

Cllr Mrs N Woollatt declared a non-pecuniary Interest in that she worked for Exeter Community Energy.

Cllr R L Stanley declared a Disclosable Pecuniary Interest in that he was a Director of the 3 Rivers Development Company Ltd. And from this it was inferred that should any discussion ensue he would need to leave the meeting.

**38. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 27 September 2022 were confirmed as a true record and signed by the Chairman.

**39. CHAIRMAN'S ANNOUNCEMENTS**

There were none.

**40. DATA QUALITY POLICY**

The Data Quality Policy report was presented to the Committee which outlined the Data Quality Policy (Appendix A) and Data Quality Standards (Appendix B), which explained the roles and responsibilities for data quality within the Council and also provides clarification for officers and members as to the standards expected.

The contents of the report were outlined with the following being highlighted:

- This policy was reviewed every 4 years.
- The responsible officers for this included: the Finance Portfolio Holder, the Corporate Manager for Digital Transformation and Customer engagement as well as the relevant operational managers.

Discussion took place regarding:

- That ongoing training for Members was important.
- If there had been any minor changes to the policy.
- That tracked changes would be useful when updated policies be presented.
- There was a risk of reputational damage and undermining of trust within the authority.
- How might the Cabinet Member of Finance communicate the importance of data quality to other Members. Future training would need to be looked into.

- The monitoring and implementation of this policy.
- Senior Officers and Members had a responsibility for this policy.

It was **AGREED** that 1.5 of the policy be amended with the added wording: “that there is also the risk of reputational damage and undermining of trust in the authority.”

(Proposed by Cllr Mrs N Woollatt and seconded by Cllr A White)

**RESOLVED:**

- a. That the Committee approves the Data Quality Policy and Data Quality Standards and;
- b. Agrees to next review the Policy in 4 years’ time.
- c. That 1.5 of the policy be amended with the added wording: “that there is also the risk of reputational damage and undermining of trust in the authority.”

(Moved by the Chairman)

**41. PERFORMANCE AND RISK UPDATE REPORT**

The Committee received, and **NOTED**, a report which provided Members with an update on performance against the corporate plan and local service targets for quarter 2 (2022/23), as well as providing an update on strategic risks.

Discussion took place regarding:

- That it was too early for the new refuse policy to be the reason for the reduction in residual waste. It was agreed that further data following the new policy was needed.
- Staff turnover looked to be worse for 2022/23 and the impact this had on service delivery, but the resourcing risk has reduced. The scoring of the risk would be looked into. That this was a key area and external factors had impacted turnover but a lot of work was underway for this to be improved and recent data had shown improvement.
- The risk rating of 3 Rivers Development Ltd should be higher. The risk rating for 3 Rivers Development Ltd had risen since the last quarter.
- Public awareness on the environment enforcement service. A lot had been undertaken to raise public awareness.
- The national payee award back payment that was recently agreed. This had been agreed and a back payment for staff would be received from April 2022. And then added as part of monthly payments thereafter.

**42. INTERNAL AUDIT PROGRESS REPORT**

The Committee received, and **NOTED**, a verbal update from a representative from Devon Audit Partnership, which highlighted:

- No significant areas of weakness or concern had been identified.
- 40% of all crime is fraud and so fraud work was prioritised.
- Devon County Council had paid for single persons discount to be reviewed.
- The cyber security report would be presented to the Audit Committee at their next meeting.

Discussion took place regarding:

- Fraud against the Council was to be reviewed. Any allegations of fraud would need evidence submitted.

- More information on the single person discount review was required so that duplication of work could be avoided. A lot of anti-fraud work had been undertaken at Mid Devon District Council internally.
- Important that the single person discount be challenged, there was a need that the current system was properly processed and cross referenced and are fit for purpose. Annual letters were sent out, biannually triangulate the other available information to cross reference information. In addition, help was received biannually from the National Fraud Initiative and if more could be done then it could be considered.

#### 43. **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The Committee received, and **NOTED**, a verbal update from Grant Thornton as the Council's external auditors.

The contents of the report were outlined with the following being highlighted:

- Grant Thornton had experienced difficulty in delivery at a national level.
- There was an aim for the audit to be delivered to January's Audit Committee meeting.
- Pension fund and property plans and equipment assurances presented as the biggest challenge.
- 3 Rivers Development Ltd appointed an auditor. Grant Thornton were satisfied with the standard of work produced by the auditor.
- No Issues were found with regard to the consolidation of account figures but accounts may need adjustment.
- Committed to sign off audit as soon as possible.

Discussion took place regarding:

- In regard to adjustments to the group financial statements had the Council not calculated a high enough impairment. Accounts had not been signed off at this time and these figure were estimations. External auditors will see if estimates were correct and if there are changes they will be seen by Members and the Public.
- Whether it was usual that a Council could not provide a list of amounts owed due at year end. This was usual due to the changing nature of the figures.
- If the delay had caused financial implication. It had not caused financial implications, but had resource deployment implications.

#### 44. **ACCESS TO INFORMATION - EXCLUSION OF PRESS AND PUBLIC**

The Chairman indicated that discussion with regard to the next item, may require the Committee to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Committee would need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

#### 45. **3 RIVERS DEVELOPMENT LTD BUSINESS PLAN.**

The Group had before it and **NOTED**, a report from the Deputy Chief Executive providing the 3 Rivers Development Ltd – Business Plan 2023 -2028.

In response to questions asked the Deputy Chief Executive (S151) responded:

- When the company was established it was likely to be funded by a mixture of internal borrowings from surplus cash flow holdings and therefore there was no cost. No medium or long term borrowing had occurred.
- Various officer were recharged into the company in its inception, officers had fully moved to the company, therefore the company costs had increased and the recharge decreased.
- More could be done to highlight the Council's risk and this would be made clearer in the Cabinet report due for January's Cabinet meeting.
- This should be considered as an investment, there had been £2.2m direct benefit to the Council, with £790,000 worth of transactions that had been impaired.
- The table shown at 2.4 was the revenue transactions of the authority, dividends would be received by the Council once the company becomes profitable.
- Would not conduct medium to long term borrowing on projects that had a lifespan of 1 to 2 years. Would be financial advantageous for temporary cash flows. There was a total loan envelope of £17.3m and that gross value would not exceed £20.9m.

**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) Members then reviewed the 3 Rivers Developments Business Plan 2023-2028.

On returning to open session the Chairman confirmed that the following recommendations had been made:

1. That the Audit Committee recommend to the Cabinet that more detail of the risks and various options going forward be sought from the S151 Officer.
2. That the other options be included in the business plan and consequences of not supporting it need to be highlighted.
3. That the Audit Committee feeds back to Cabinet that it recommends that the business plan in its current form is not supported due to the level of risk to the Council from the likelihood of needing to impair loans on those projects with very narrow rates of return.

#### 46. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING**

**RESOLVED:** That the items listed be noted.

(The meeting ended at 8.27 pm)

**CHAIRMAN**