

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 3 December 2024 at 5.00 pm

**Present
Councillors**

L Knight (Chair)
D Broom, E Buczkowski, G Czapiewski
(Vice-Chair), B Fish, B Holdman, R Roberts
and A Stirling

**Apology
Councillor**

J M Downes

**Also Present
Councillor**

J Buczkowski

**Also Present
Officers**

Paul Deal (Head of Finance, Property & Climate Resilience), Matthew Page (Head of People, Performance & Waste) and Sarah Lees (Democratic Services Officer)

**Councillors
Online**

S J Clist, A Glover, J Lock, L Taylor and D Wulff

Officers Online

Kieran Knowles (Operations Manager for Financial Services)

26. **APOLOGIES**

Apologies were received from Cllr J Downes who was substituted by Cllr B Holdman.

27. **PUBLIC QUESTION TIME**

The following member of the public asked questions:

Paul Elstone

Question 1

Agenda Item 8 External Auditors Draft Report 2023/24:

Professionally prepared market data available reveals that this Council were paying grossly excessive prices for the ZED PODS modular social home developments.

I find no reference in any of the internal or external audit report to any Value for Money or Governance Audit had been implemented this with regards to this Councils partnership arrangement with ZED PODS

An audit I believe there was a very compelling reason to undertake given that data shows that homes far more energy efficient than the ZED PODS Modules and constructed to Passive House Standards could be built for around £2500 per square meter. Yet it was known that this Council had paid over £5,000 per square meter for a modular development this despite the land coming for free.

There seems to be one development still to be delivered that could cost over £6,000 per square meter.

Would this Audit Committee arrange for the implementation of both a Value for Money and a Good Governance Audit and if not, why not?

Question 2

Agenda Item 6 Corporate Risk Report:

CR 9, Delivery of 3 Rivers Closedown Plan Page 7 Shows current risk as stable at a low of three (3). A very low score I believe already previously questioned by a member of this Committee.

Five (5) out of the nine (9) Haddon Heights properties remain on this Councils books and since 3 Rivers sold these five (5) properties to this Council in March 2024 and at a price of £3.15 million. Properties first marketed 2 years ago.

The corporate risk includes the ability to sell the Haddon Heights properties on and at budget.

This Council have lost around £105,000 in investment income and since purchasing these properties just 8 months ago and with the loss escalating substantially month on month.

Will this Audit Committee as part of the Agenda Item. 6 debate, fully examine the reason for the risk ranking remaining so very low and give full consideration to the need to increase this risk score. This given both the current sales position and ongoing market conditions and if not why not?

Supplementary Question

In providing response that I will receive a written answer within 10 days and response that has become the standard response for all MDDC Committee Chairs.

Is the Audit Committee Chair aware that despite what the Monitoring Officer was previously on record as saying the response you had provided was not in full compliance with the MDDC Constitution Part 4 Rules of Procedure, Sections 9.1 and 9.4, pages 98 and 99.

That given how my questions are framed it would not be unreasonable for me to receive a full answer to my question 2 during this meeting and when agenda item 6 is debated.

The Chair stated that he since the Committee had not received the questions in advance the questioner would receive a written response in the usual way and that he had taken a note of what Mr Elstone had said.

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

No interests were declared under this item.

29. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 20 August 2024 were confirmed as a true and accurate record and **SIGNED** by the Chair.

30. **CHAIR'S ANNOUNCEMENTS**

The Chair informed the Committee that himself and the Vice Chair had attended the most recent Devon Assurance Partnership (DAP) meeting and had been pleased to learn that DAP had been in existence for 15 years. The Head of DAP, Mr Tony Rose, was present at the meeting and presented the Chair with a framed certificate in recognition of working in partnership with the Council for the last 15 years.

31. **CORPORATE RISK REPORT (00:11:00)**

The Committee had before it, and **NOTED**, a report * from the Corporate Performance and Improvement Manager and the Corporate Manager for People, Performance & Waste providing a quarterly update on the Corporate Risk Register.

The following was highlighted within the report:

- The Committee were referred to the table listing the 18 Corporate Risks faced by the Council. Any changes were listed in section 2.3.
- Reference was made to the recent news regarding the funding for the Cullompton Relief Road and also the recent pay award settlement for staff relieving the previous threat of industrial action.
- Attention was also drawn to risks in relation to severe weather events due to the time of year.

Discussion took place regarding:

- Recruitment challenges in the Building Control area.
- Whether the risk rating in relation to the Cullompton Relief Road should now be reduced given the recent announcement regarding funding?
- The grading of the risks contained within the table was carried out by the Corporate Performance and Improvement Manager.
- All services had been asked to provide a Business Continuity Plan and these were currently being reviewed. A Resilience Officer had been appointed to oversee this process. It was hope that this gave the Committee some assurance that this risk was being given a high priority.
- It was confirmed that the Council had received an independent assessment of its Cyber Security arrangements.

- With regards to the Climate Change risk it was confirmed that a report proposing a new Climate Strategy was going to the Cabinet the following week together with an Action Plan. Both would be reviewed on a regular basis as the Council moved towards its 2030 target.
- It was confirmed that the 3Rivers company had been officially dissolved as at 26th November 2024.
- It was felt that the reputational damage regarding 3Rivers would last for a long time. Dissolution of the company was but one event in a long series of events. There were still unsold properties to deal with.

It was **AGREED** that the Head of Finance, Property and Climate Resilience would report back the comments made by the Committee to the Leadership Team and that the risks would be reviewed, removing reference to the closedown risk and focussing on the remaining reputational risk.

Note: * Report previously circulated.

32. **DEVON ASSURANCE PARTNERSHIP PROGRESS REPORT 2024-25 (00:43:00)**

The Committee had before it, and **NOTED**, a report * from the Devon Assurance Partnership (DAP) providing a summary of internal audit activity since the last meeting.

The following was highlighted within the report:

- The internal auditor had no significant concerns in any of the areas that had been audited since the last meeting.
- There were no high outstanding audit recommendations, however, there were 28 medium recommendations with 10 of those being overdue. These were only recently overdue however with a date of either October or November 2024.
- Through the Customer Satisfaction survey DAP generally received between a 96% and 98% satisfaction rate.

Consideration was given to:

- The working relationship between the internal and external auditors and whether views were challenged on either side. It was confirmed that DAP had a positive functional relationship with Bishop Fleming and even shared training opportunities. However, ultimately each was responsible for their own reports.
- It was suggested that perhaps management needed to be a bit more realistic with their timescales regarding audit recommendations. Sometimes they were too optimistic.
- Customer Satisfaction surveys were sent out to any individuals who had had key involvement with the audit.
- It was confirmed that the Contract Register was updated post award and was available on the Council's website.
- Cyber Security was the biggest risk faced by most local authorities.

Note: * Report previously circulated.

33. 2023 - 2024 STATEMENT OF ACCOUNTS (01:02:00)

The Committee had before it a report * from the Deputy Chief Executive (S151) presenting an updated draft version of the 2023/24 Statement of Accounts, highlighting any areas which have been amended since the draft accounts were published on the website, presented for external audit and considered by Audit Committee in June 2024. The draft Annual Governance Statement * was also presented to the Committee.

The following was highlighted:

- The Committee were reminded that they had received the draft Statement of Accounts and Annual Governance Statement in June 2024. It had been anticipated that the Accounts would be signed off in October 2024 but this had not been possible due to a number of factors.
- The audit was now largely complete, one issue remained regarding the Social Housing Rent error. This would be discussed by Cabinet the following week with an outlined proposal as to how to resolve the error, final adjustments would then be made to reflect the resolution correctly in the accounts. The final accounts would then be presented to the Committee for the final time in January 2025.
- There had been no changes to the Annual Governance Statement since June 2024.
- The minor changes to the accounts since they were last presented to the Committee were summarised as follows:
 - Improved narrative to clarify the overspend of £635k had been offset by reserves.
 - The clarification of the application of the Going Concern concept to the Group Accounts.
 - The 'expenditure and funding' analysis had been repositioned more appropriately within the accounts.
 - Members Allowances (note 16) had been updated as previously the accounts had shown outdated information.
 - An adjustment to the Group Accounts by £58k following a minor adjustment to 3Rivers Final Accounts.

Discussion took place regarding:

- It was confirmed that the Social Housing Rents issue would be isolated to the Housing Revenue Account (HRA) although it was possible some staff costs would be recharged to the General Fund.
- The Council was in a buoyant position regarding its reserves and was holding above the minimum amount of £2m.

Following this the external auditors, Bishop Fleming, presented their completion report * and Annual Report * with particular reference to the following:

- They were coming to the end of their first year as the Council's new external auditors. It had gone well and thanks were extended to the Finance team for their ongoing co-operation.
- Limited adjustments to the accounts had been required and the Council was in a good position regarding its record keeping and control environment.

- One issue remained regarding the Social Housing Rents error and they were waiting to see what decisions were made regarding the resolution of this error before finalising their report.
- Reference was made to the significant weakness that had been identified by the previous auditors regarding 3Rivers. The new auditors were satisfied that the closure process had been dealt with appropriately.
- Bishop Fleming's Annual Report focussed on the Council's 'Value For Money' arrangements. Key themes were financial sustainability, governance and the 3 'E's': economy, efficiency and effectiveness. The report included a table setting out their conclusions. Governance arrangements regarding Social Housing Rents had been rated as a significant weakness.
- In auditing the 2022/2023 accounts, Grant Thornton had identified a significant weakness in relation to 3Rivers, since this was being closed down in 2023/2024 Bishop Fleming still had to recognise that weakness in their report also. The report contained their recommendations. They would be bringing their final report to the January meeting of the Audit Committee.

Discussion took place with regard to:

- There were different levels of testing undertaken by the external auditors dependent on an assessment of risk in particular service areas.
- Concern regarding the two areas of significant weakness that had been identified. However, the external auditors reassured the Committee that it was only these two areas and that by their nature, external audit reports were always backward looking and did not take into account plans to correct and resolve issues going forwards. There was an expectation that 3Rivers would not appear in the accounts for 2024/2025 and that actions to resolve the housing rents error would be agreed by Cabinet in the following week and the accounts adjusted to reflect that.
- A request was made to correct the wording at the top of page 286 of the agenda pack to state '2022/2023 recommendations' so it was clear which year was being referred to.
- An improvement recommendation had been included within the auditor's report regarding the treatment of the Medium Term Financial Plan going forwards. It was not unusual for district councils to have identified a funding gap over the next 4 years given the reduction in government funding.
- The external auditors had been satisfied with the Council's proposals to address the Social Housing Rents error in terms of the legal advice they had sought and good practice learned from the housing sector generally.
- Due to the auditor's report not quite being complete yet, the Annual Governance Statement and the Letter of Representation would need to be signed at the January meeting.

RESOLVED that the 2023/24 Statement of Accounts be approved subject to the inclusion of a Provision for the Rent Formula Error once it is available.

(Proposed by Cllr B Fish and seconded by Cllr D Broom)

Reason for the decision

As set out in the report.

Note: * Reports previously circulated.

34. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:50:00)**

It was noted that the list of items stated on the agenda for the next meeting were in fact for the meeting on 25th March 2025.

The next meeting would be held on 14th January 2025 at which the Committee would receive the final reports regarding the 2023/2024 accounts.

(The meeting ended at 6.55 pm)

CHAIR