

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 24 June 2025 at 5.00 pm

Present

Councillors

L Knight (Chair)
E Buczkowski, C Connor, G Czapiewski,
L G J Kennedy, R Roberts and A Stirling
(Vice-Chair)

Apologies

Councillors

D Broom, M Farrell, B Fish and B Holdman

Also Present

Councillor

C Harrower

Also Present

Officers

Andrew Jarrett (Deputy Chief Executive (S151)), Matthew Page (Head of People, Performance & Waste), Kieran Knowles (Accountant) and Sarah Lees (Democratic Services Officer)

Councillors

Online

J Buczkowski and J M Downes

Also in

Attendance

Jo McCormick (Devon Assurance Partnership) and Jennifer Whitten (Independent Person)

1. **ELECTION OF CHAIR FOR 2025/2026**

RESOLVED that Cllr L Knight be elected Chair of the Audit Committee for the municipal year 2025/2026.

2. **ELECTION OF VICE CHAIR FOR 2025/2026**

RESOLVED that Cllr A Stirling be elected Vice Chair of the Audit Committee for the municipal year 2025/2026.

3. **APOLOGIES**

The following apologies were received:

- Cllr D Broom who was substituted by Cllr C Connor.
- Cllr M Farrell who was substituted by Cllr L G J Kennedy
- Cllr B Fish
- Cllr B Holdman

4. **PUBLIC QUESTION TIME**

The following questions were received from members of the public:

Mr Barry Warren

My questions are prompted by item 9 on your agenda.

According to paragraph 1.1: 'It is reviewed at least quarterly by Heads of Service and the Leadership Team and updated as required.'

Question 1.

Are any elected Members involved in deciding what is included in the 'risk matrix, and any comments attached to any item?

A relevant bullet point in paragraph 2.3 is 'CR9a: Reputational Impact of 3 Rivers was removed in May 2025. The company undertook no operational activities in 2024/25 and was formally dissolved on the 26 November 2024 and all assets/liabilities were transferred to the Council during the 2023/24 financial year. As such it has been decided that this corporate risk can now be removed. Any updates on the assets transferred to the Council will be made in the standard financial performance reports received by the Cabinet.'

Question 2.

Who decided this removal please?

Question 3.

Is there a written minute or note of a meeting when this decision was made?

At the Audit Committee Meeting on the 3rd of December 2024 it is minuted "It was felt that the reputational damage regarding 3 Rivers 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 risk would be reviewed, removing reference to the closedown risk and focusing on the remaining reputational risk.

Question 4.

The matrix in Appendix 2, page 28 of your bundle shows that the 'Risk Owner' is the Chief Executive. Is it considered that the actions now being proposed or undertaken are in accord with the intention or spirit of the agreement recorded on the 3rd of December 2024?

Question 5.

Are Members really convinced that the reputational damage caused by 3 Rivers can be removed by transferring properties to the Council? They were bought by the Council for millions of pounds – not transferred.

Question 6.

Properties at Bampton have not been all sold and there are price reductions. Land at Knowle Lane was overpriced and remains unused. St. George's Court is still not completed and let with questions around structural surveys. All these monies could be earning interest for the Council but are not. Are Members satisfied that this is not causing 'reputational damage' to the Council?

Mr Paul Elstone

Question 1

This Administration has spent and intends to spend tens of millions of pounds on modular social housing but there is no entry on the Corporate Risk Register covering this.

I have provided all Audit Committee Members with a document that reveals other Councils have been "bitten" by failing modular build companies.

The consequences have been raised in both House of Commons and House of Lords Select Committees.

This Council has placed large orders and made large stage payments to their MMC Supplier ZED PODS, but I could not find any reference to any risk assessments or possible failure mitigation.

I understand that ZED PODS have never built any modules, they subcontract out both module construction and installation.

ZED PODs until relatively recently had major modular build contracts with a company called Impact Modular.

A company now in Administration - with the Administrator attempting to recover their outstanding debts including from the ZED PODs shareholders.

ZED PODS are now using a company called Dragon Heart Homes to build the modules. This is a newly formed - start up - Company and which took over Impact Modular's factory facilities in Peterborough.

In view of the size of the monetary commitment and the apparent lack of risk/mitigation assessment; will this Audit Committee firmly recommend that this Councils MMC Social Housing plans be added to the Corporate Risk Register?

Question 2

The removal of the 3 Rivers Reputation Risk item from the Corporate Risk Register is premature.

This Council purchased a number of assets from 3 Rivers in March 2024 for vast sums of public money and has had to impair a lot of that money.

This Administration approved the purchase of 5 Haddon Heights properties, for £3.135 million, which have not sold and are now being written down by £264,000 and the purchase of land at Knowle Lane, for £3.66 million, which was immediately impaired by £2 million and lies unused.

The loss of investment interest income on the total of £6.8 million for the past 15 months is around £424,000.

A total loss so far to this Councils General Fund near to £700,000 - and currently increasing by around £28,000 per month.

In simple terms if this loss had not been incurred, it would have meant there was no need for this Administration to increase leisure centre car parking fees or Council Tax at all this year - let alone to the maximum 3 percent.

3 Rivers is still impacting Council finances and reputation.

Will this Audit Committee accept that it would be a major reputational issue to try and hide this by removing this from the Risk Register?

Mr Nick Quinn

Agenda Item 10: Draft Statement of Accounts:

Specifically the Annual Governance Statement, which starts on page 197 of your papers.

Question 1

Paragraph 1.2 states "Previous weaknesses highlighted within prior Value for Money conclusions have been addressed through the closure of the arm's length company and the ongoing work to refund the overpayment of rent arising from the historic error in the calculation". The Council had previously said it intended to limit the refund of overpayments to a maximum of 6 years; does this unqualified statement on the refund indicate that the Council now intends to refund tenants with all of their rent

error overpayments, or should the statement be altered to read “some of the overpayments”?

Question 2

Paragraph 4.2 sets out a number of principles. Principle A states: “Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law”. Will Audit Committee agree that limiting the refund of tenant overpayments does not demonstrate adherence to the main principle of “Behaving with Integrity and a Strong Commitment to Ethical Values”?

Question 3

I believe paragraph 5.2 deliberately understates the size and impact of the Housing Rent Errors. The use of the phrase “for a number of years” does not adequately describe the considerable 22 year period that this had been going on, and describing it as “this isolated error” really does not come near to properly describe wrongly setting the rent of 2,800 properties for every week of those 22 years. This was not an ‘isolated’ error - it was 3,203,200 errors, amounting to millions of pounds! Will Audit Committee please ask that paragraph 5.2 is reworded in order to properly reflect the seriousness of this error?

The Chair provided a response to Mr Quinn’s questions by stating the following:

Thank you for your questions Mr Quinn – obviously these are the draft accounts and Annual Governance Statement (AGS) which have been made public and will be subject to rigorous audit by our external auditors prior to returning back to the Committee for formal approval. I am currently content with how our officers have prepared these documents in compliance with the necessary financial and legal requirements governing the completion of local authority accounts. I can confirm that we will consider your comments either during this evening’s debate on our draft accounts and the AGS or at a subsequent meeting when we finally approve them.

In respect of the questions raised by Mr Warren and Mr Elstone, the Chair stated that as the questions had not been received in advance, a written response would be provided within 10 working days and appended to the minutes of the meeting.

5. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 25 March 2025 were confirmed as a true and accurate record and **SIGNED** by the Chair.

6. DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT

No interests were declared under this item.

7. CHAIR’S ANNOUNCEMENTS

The Chair thanked his colleagues for electing him.

8. **START TIME OF MEETINGS**

It was **AGREED** to continue to commence Audit Committee meetings at 5.00pm for the remainder of the municipal year 2025/2026.

9. **CORPORATE RISK REPORT (00:21:00)**

The Committee had before it, and **NOTED**, a report * from the Corporate Performance and Improvement Manager and the Head of People, Performance & Waste reviewing the Corporate Risk Register.

The following was highlighted within the report:

- The report presented the Council's current corporate risks with their updated position as of May this year. These were the risks which were most likely to impact the Council meeting its objectives.
- At paragraph 2.1 of the report, there was a summary table of the 16 corporate risks that the Council was currently managing. The risk matrix or heat map showed the relative position of the corporate risks. Appendix 2 of the report provided further details for each risk in a standard template.
- Any significant changes to the risk register since it was last reported to the Committee were listed in the covering report at paragraph 2.3.
- An audit conducted by Devon Assurance Partnership had reached the opinion of 'Reasonable Assurance' when considering the Council's approach to risk management.
- Risk reference CR9A: 'The reputational impact of Three Rivers', had been removed in May 2025. The company undertook no operational activities in 2024/25 and was formally dissolved on the 26th of November 2024. All asset liabilities were transferred to the Council during the 2024 financial year. As such, it has been decided that this corporate risk could now be removed. Any updates on the assets transferred to the Council would be made in the standard financial performance reports that were received by the Cabinet.

Discussion took place regarding:

- The appendices detailed the mitigating actions in relation to each risk. The Committee was encouraged to add to the Risk Register if they considered it necessary.
- The risk rating in relation to Local Government Reorganisation (LGR) was currently quite high at 20. It was explained that this was due to the fact that LGR was not in the Council's control to determine. A number of proposals were emerging and these would be evaluated by the Government. The Council was blind to what the final outcome would be. Consequently there was a risk to ongoing service delivery.
- The importance of engaging with town and parish council's at every step of the LGR journey.
- Cyber Security was perhaps the most significant risk the Council faced. The Council had recently received a national Government Cyber Security Audit which had resulted in a detailed action plan in terms of what the Council needed to do. The Deputy Chief Executive (S151 Officer) stated that he would be happy to share the details of this action plan with the Committee but it would need to be under Part II arrangements due to the obvious nature of the

subject matter. The Council was also networking with national and local partners regarding this issue to ensure best practice.

- Whether it had been too premature to remove the 'Reputational Risk of 3 Rivers' from the Risk Register? It was explained that the company was now dissolved and now presented the Council with a property risk that could be managed by regular quarterly reports to the Cabinet where the risks were discussed in depth. The question was asked as to whether those reports could come to the Audit Committee. It was stated that they could or at least the relevant paragraphs could be appended to the Corporate Risk Register which was presented to the Audit Committee at every meeting.
- The Risk Register 'belonged' to Members and could be amended or added to as appropriate.
- The risk rating in relation to the Cullompton Relief Road had been lowered slightly due to the recent receipt of funding and the commencement of works albeit in the very early stages.
- Regarding the Social Housing Rent Error the Committee were informed that a meeting had been held with the Regulator for Social Housing that day and that they had seemed very reassured with the direction of travel.
- As a general rule, if something was outside of the Council's control, it increased the risk rating.

Note: * Report previously circulated.

10. **DRAFT STATEMENT OF ACCOUNTS FOR 2024/2025 (00:48:00)**

The Committee had before it, and **NOTED**, a report * from the Deputy Chief Executive (S151) presenting the draft version of the annual Statement of Accounts to Members which had been published on the website and presented for external audit.

The Committee were provided with a presentation which provided a high level introduction to understanding the Financial Statements and the Annual Governance Statement. It also included pertinent points with regard to the role and function of the Audit Committee in discharging its duty with regard to the annual accounts. It also referenced, timeframes, key accounting policies and the annual audit.

Discussion took place regarding:

- Figures in the draft accounts in relation to Property Services and Public Health areas. It was explained that there had been a significant underspend in these areas due to maintenance plans having slipped and some large unbudgeted S106 receipts. However, these monies would be transferred to reserves until those projects were ready to be delivered.
- The level of reserves had increased. It had been a very good year in terms of Business Rates collection. This 'smoothing reserve' provided the Council with a helpful buffer should the Government change the rules regarding Business Rates in the future.
- The Social Housing Rents Error showed a loss in the draft accounts of £1.8m which had been well recorded. It was confirmed that this did not include the officer costs of the team appointed to manage the action plan in relation to this. At the moment these costs were able to be managed within budget.
- The way vehicle leases were required to be shown had changed therefore this looked very different from last year.

- It was confirmed that the Council held a detailed Assets Register and assets were required to be valued externally every year so that the correct values were recorded.
- There appeared to be quite a big swing in the provision of services figure in the cash flow statement. The Deputy Chief Executive (S151 Officer) stated that he could append detailed information on this to the final accounts brought before the Committee at their next meeting.
- It had been a good year as far as the accounts were concerned in that there had been no key changes, the Council had not taken on new business and there had been an underspend on the General Fund. There had been close to budget monitoring reports given to the Cabinet which had allowed the Council to build up of reserves. This was against a backdrop of uncertainties and challenges ahead with regard to Government funding and LGR.

Note: * Report previously circulated.

11. **DEVON ASSURANCE PARTNERSHIP INTERNAL AUDIT END OF YEAR REPORT 2024/2025 (01:32:00)**

The Committee had before it, and **NOTED**, a report * from the Devon Assurance Partnership (DAP) presenting the Annual Internal Audit Report for 2024/2025.

The following was highlighted in the report:

- The report provided a summary of their work for the year.
- Their overall opinion for the year was one of 'Reasonable Assurance'.
- Follow up work had been necessary in the Building Control area as the opinion had still been one of 'Limited Assurance'.
- Much progress had been made since their report had been written in May.
- Some work which had been planned for 2024/25 had had to be deferred until 2025/26, some of the reasons for this were down to the level of available resources within DAP itself.
- Appendix 1 contained a summary of the audits which had taken place since the last Audit Committee in March 2025.
- One 'high' audit recommendation remained outstanding and 9 'medium' recommendations had also slipped the timescales for completion.

Discussion took place regarding:

- Audit recommendations needed to be followed up and progressed by the Council not DAP.
- Up to date explanations needed to be provided and the Deputy Chief Executive (S151 Officer) stated he would chase this up with the relevant managers.
- It was extremely rare for DAP to give a 'Substantial Assurance' Audit Opinion. There had not been one in recent years. 'Reasonable Assurance' opinions were the most common.
- Where dates had been revised for completing an audit recommendation this needed to be shown in an extra column so that it was clear for the Audit Committee to see what the latest position was.

Note: * Report previously circulated.

12. **DEVON ASSURANCE PARTNERSHIP ANNUAL COUNTER FRAUD RESILIENCE AND ASSESSMENT REPORT (01:48:00)**

The Committee had before it, and **NOTED**, a report * from the Devon Assurance Partnership (DAP) providing the Annual Counter Fraud Resilience and Assessment Report.

The following was highlighted:

- DAP were currently in the process of recruiting a new fraud expert and the successful candidate would be introduced at a future meeting of the Audit Committee.
- DAP had recommended that the Council go through a self-assessment process in relation to fraud. That process had now taken place and no issues of concern had been identified.

It was requested by the Independent Person (IP) that the revised Fraud Policy be shared with the Committee and that the Code of Conduct also made reference to fraud. This was **AGREED**. Reciprocally, it was requested that the IP shared any good practice she was aware of with the Committee so that processes and policies could be tightened up where necessary.

Note: * Report previously circulated.

13. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING**

The items already listed in the Work Programme for the next meeting were **NOTED**.

In addition it was requested that a standing item be added to the agenda for each meeting regarding an update on the Social Housing Rents Error situation.

(The meeting ended at 6.56 pm)

CHAIR