

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 15 July 2016 at 11.00 am

Present

Councillors

R Evans (Chairman)
Mrs J B Binks, Mrs C Collis, R F Radford,
Mrs J Roach and R Wright

Apologies

Councillors

R M Deed and F W Letch

Also Present

Officers

Andrew Jarrett (Head of Finance), Amy Tregellas (Head of Communities and Governance and Monitoring Officer) and Sarah Lees (Member Services Officer)

Also in

Attendance

Geraldine Daly, Steve Johnson and Tori Redler from Grant Thornton

26. **APOLOGIES**

Apologies had been received from Cllr R M Deed who was substituted by Cllr Mrs J Roach and also Cllr F W Letch who was substituted by Cllr R Wright.

27. **PUBLIC QUESTION TIME**

There were no members of the public present.

28. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

29. **MINUTES OF THE PREVIOUS MEETING**

The Minutes of the meeting held on 28 June 2016 were approved as a correct record and **SIGNED** by the Chairman.

30. **ANNUAL GOVERNANCE STATEMENT (00:02:10)**

The Committee had before it a report * from the Head of Communities and Governance presenting it with the finalised Annual Governance Statement and accompanying action plan for 2015/16.

It was explained that the areas which needed improvement were highlighted in the action plan with reference to the lead officer for each action and the target date for completion. The Committee would receive an update on the progress made against this action plan at their meetings on 22 November 2016, 24th January 2016 and 21 March 2017.

It was further explained that an additional action had been added under 'Performance and Risk Management' associated with the exit from the European Union. This may include elements associated with Devolution, fluctuations in currency and also EU funding for economic development projects.

Two further minor amendments had been made since the draft version had been presented to the Committee which were as follows:

- To correct the 4th Bullet point under section 3.5.2 from 'performance reporting on a quarterly basis in 2014/15' to '2015/16'.
- Under the 7th bullet point in section 4.2, to correct 'Outturn Internal Audit report (June)' to 'Outturn Internal Audit report (May)'.

Discussion took place regarding:

- Contingency plans as a result of the EU Referendum – any kind of planning based upon various scenarios would not have been a good use of officer time. Whilst the future was uncertain as a result of Brexit, the General Fund did hold amount as a buffer against uncertainties of this nature. Likely effects of leaving the EU may have an effect on property holdings or charges made by contractors who were domicile outside of the UK.
- The Citizen Panel – it was explained that people were recruited to the Citizens Panel every two years by an outside company who were marketing specialists. They looked at the demographics of a region and tried to recruit 1000 people on the understanding that they would be required to take part in three survey's a year.
- The Constitution – any relevant changes would be brought before full Council, for example, changes to the senior management structure.

RESOLVED that subject to the minor amendments referred to in the officers presentation the Annual Governance Statement be approved and that the Leader of the Council and the Chief Executive sign the Statement as per the statutory guidance.

(Proposed by the Chairman)

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

31. **ANNUAL REPORT AND ACCOUNTS 2015/16 (00:12:30)**

The Committee had before it a report * from the Head of Finance outlining minor changes made to the accounts subsequent to the draft set being presented to the Audit Committee at its meeting on 31 May 2016. These were very few, not material in any way and generally related to changes in narrative and rounding's. An additional paragraph had also been inserted as a result of Brexit and the effect that this may have on areas such as property holdings. A 10 page summary document would be produced which would be circulated to all Members and published on the website.

The Head of Finance wished to record his thanks to Grant Thornton, the external auditors, for their hard work in completing the audit to the desired timescales. This had put a strain on their resources and he wished to pass on his gratitude and thanks.

Discussion took place regarding:

- The fact that the interest referred to in section 3.5 had been achieved via a fixed interest rate.
- The detailed breakdown of Earmarked Reserves and an amount of the New Homes Bonus being retained for future programmes.
- The existence of performance data within the accounts. This had been a new requirement as well as needing to have a more detailed explanatory forward. However, for the purposes of the external auditors signing off the accounts it was requested that the performance data be removed from the final version of the accounts as that particular area had not been audited.

RESOLVED that the annual report and accounts be approved (subject to the recommendations made by the external auditor, Grant Thornton) and that the Committee formally approve and sign the letter of representation.

(Proposed by the Chairman)

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

32. **GRANT THORNTON AUDIT FINDINGS 2015/16 (00:26:00)**

The Committee before it, and **NOTED**, a report * from Grant Thornton, external auditors to the Council. This report highlighted significant findings arising from their audit as required by the International Standard of Auditing (UK & Ireland) 260.

The external audit team were introduced by the Associate Director.

The contents of their findings report were summarised commencing with an update in relation to some issues that had been outstanding at the time of writing the report:

- A review of the senior officers pay note was now complete as was the testing of government grants.
- Correspondence with the District Valuer had taken place that morning in response to an enquiry.
- The post balance sheet events review had been updated to the date of signing their opinion.

In terms of the key audit the following points were made:

- There had been no recorded changes to income and expenditure and therefore no changes to the balance sheet.
- There had been one prior period adjustment to do with asset valuation on the pension fund. This had been a classification error with the previous years figure being adjusted and the correct ones for this year being inserted. This had not affected the bottom line.
- The testing of operating expenses had not identified any issues in respect of understatement or recording.
- They were obliged to comment on the methodology and judgements made by the Council and found both to be appropriate and consistent with the Local Authority Code of Practice.

- They had reviewed the Council's 'going concern' analysis and agreed with the judgement that the financial statements could be prepared on a 'going concern' basis.

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

33. **GRANT THORNTON - VALUE FOR MONEY REPORT (00:37:15)**

The Committee had before it, and **NOTED**, a report * from Grant Thornton presenting its Value for Money conclusion. The external auditors were required in the Code of Audit Practice to satisfy themselves that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The auditors had identified the Council's use of New Homes Bonus monies to balance the budget deficit as a serious risk. The Head of Finance stated that he shared this concern but informed the Committee that the Government were changing the criteria regarding the use of New Homes Bonus and it would not be possible for local authorities to use these monies in the same way going forwards.

It was confirmed that the fee for conducting the audit as quoted in the report was incorrect and should have been stated as £47,700 for the audit and £7418 for the grant certification. This would be corrected today before signing off the accounts.

The Chairman thanked all those involved in the preparation and audit of the accounts. He stated that the Council was in an unusual position in that this was the very first day local authorities could sign off their accounts and Mid Devon was one of the first nationally to do so. As Chairman he would be writing to all those that had taken part in this process to thank them personally and on behalf of the Committee.

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

34. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (00:45:30)**

In addition to the items already listed in the work programme for the next meeting, the following item was requested to be on the agenda:

- A general discussion on the impact of Brexit on Mid Devon District Council (as far as could be determined).

(The meeting ended at 11.47 am)

CHAIRMAN