

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 30 May 2017 at 5.30 pm

Present

Councillors

R Evans (Chairman)
Mrs C Collis, R M Deed, T G Hughes, B A Moore, R F Radford
and L D Taylor

Apology

Councillor

Mrs J B Binks

Guests in

Attendance

Steve Johnson (Grant Thornton) and Rob Hutchins (Devon Audit Partnership)

Present

Officers

Andrew Jarrett (Director of Finance, Assets and Resources),
Catherine Yandle (Internal Audit Team Leader), Rob Fish
(Principal Accountant), Roderick Hewson (Principal Accountant)
and Sarah Lees (Member Services Officer)

1. **ELECTION OF CHAIRMAN (CHAIRMAN OF THE COUNCIL IN THE CHAIR)**

RESOLVED that Cllr R Evans be elected Chairman of the Committee for the municipal year 2017/18.

2. **ELECTION OF VICE CHAIRMAN**

RESOLVED that Cllr Mrs C A Collis be elected Vice Chairman of the Committee for the municipal year 2017/18.

3. **APOLOGIES**

Apologies were received from Cllr Mrs J B Binks who was substituted by Cllr B A Moore.

4. **PUBLIC QUESTION TIME**

There were no members of the public present.

5. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 21 March 2017 were approved as a true and accurate record and **SIGNED** by the Chairman.

6. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had the following announcements to make:

- He reminded the Committee that there would be a briefing on Tuesday 4th July at 5.30pm regarding the Annual Governance Statement and the Code of Corporate Governance.

- He also reminded the Committee that a special meeting would be held on Monday 17 July 2017 at 10am to sign off the accounts for 2016/17. It was **AGREED** that the meeting scheduled for 25 July 2017 was no longer required and needed to be cancelled.
- He introduced Rob Hutchins to the Committee. He was the Head of the Devon Audit Partnership and he and his deputy would be alternating in attending future meetings. The Chairman stated that it was his intention to attend a meeting on 21 June 2017 where the Council's request to join the partnership would be ratified. Mr Hutchins stated that this was an exciting opportunity to exchange skill sets and to bring some new IT which might help to make some processes more efficient.

7. **REPORT ON INTERNAL AUDIT PROVISION FROM 2017/18 (00:11:37)**

The Committee had before it a report * from the Internal Audit Team Leader informing it about Internal Audit Provision from 1st May 2017.

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

- The governance arrangements in section 2.
- The agreement required that Partners provide 12 months' notice if they wish to leave the Partnership.
- Further work would be undertaken to ensure a smooth transition which would take approximately 3 months.

RECOMMENDED to Council that:

- a) Mid Devon District Council appoints Devon Audit Partnership (DAP) as the Audit Manager from 1st May until it joins DAP (nominally 31st July 2017).
- b) Mid Devon District Council joins DAP:
 - i. As a non-voting member from 1 August 2017 until 31st March 2018;
 - ii. As a voting member from 1st April 2018.
- c) The Chairman of the Audit Committee be appointed as the nominated member to represent Mid Devon on the Partnership Committee.
- d) The Vice Chairman of the Audit Committee be the nominated substitute Member to represent Mid Devon on the Partnership Committee in the absence of the Chairman.
- e) Cllr R F Radford be the second nominated member of the Committee.

(Proposed by the Chairman)

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

8. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT AND ACTION PLAN (00:16:30)**

The Committee had before it, and **NOTED**, a report * from the Internal Audit Team Leader providing it with an update on progress made against the Annual Governance Statement Action Plan for 2016/17.

Consideration was given to the previous two outstanding items identified in the action plan. One of those had concerned the delivery of actions set out in the staff survey action plan. It was explained that this was on target to be completed by the end of June with follow up meetings already taking place. The other item had concerned the review and update of the complaints process about Councillors and the need to present this to the Standards Committee and Council for approval. This had now been completed.

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

9. **STRATEGIC AUDIT PLAN FOR 2017/18 (00:18:50)**

The Committee had before it a report * from the Internal Audit Team Leader presenting the Strategic Audit Plan for 2017/18 to 2020/2021 and the detailed Audit Work Plan for 2017/18.

The draft plans had been brought to the previous meeting and had subsequently been shared with the Devon Audit Partnership (DAP). A few minor changes had been inserted, the main one being in relation to bringing forward the Members Allowances audit to coincide with the next District Council election in 2019.

RESOLVED that the Audit Plans be approved.

(Proposed by the Chairman)

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

10. **INTERNAL AUDIT OUTTURN REPORT 2016/17 (00:20:23)**

The Committee had before it, and **NOTED**, a report * from the Internal Audit Team Leader updating it on the work performed by Internal Audit during the 2016/17 financial year as required by the Public Sector Internal Audit Standards.

The report gave the overall opinion on the Council's control environment for 2016/17 and summarised the audit opinion in relation to each of the internal audits which had taken place throughout the financial year. The number of well controlled areas had increased and there had been only one poorly controlled area for the year.

In relation to the ICT Core Audit it was explained that the need to comply with the General Data Protection Regulations from May 2018, Brexit or not, would require a lot of work and housekeeping for MDCC. The time required for this to be undertaken must not be underestimated but work had already begun with a working group being established and the Internal Audit Team Leader and the Freedom of Information Officer having interviewed 23 managers. A gap analysis had been conducted and tasks had been scheduled.

Discussion took place regarding the number of outstanding high and medium risk recommendations. This included the following:

- Regarding overdue audit recommendations, the position overall had not changed much from last year after a tremendous improvement the year before. This year, there had been no high priority recommendations overdue compared to 3 last year.
- The situation regarding medium risks however, had not improved to a satisfactory level in the Chairman's opinion. It was therefore **AGREED** that the Director of Finance, Assets and Resources take the comments of the Committee back to the Leadership Team in the hope that some improvements could be made.

Further discussion took place regarding:

- The outstanding recommendations in relation to the Cemeteries & Bereavement audit. These had been in relation to publishing Freedom of Information requests on the Council's website and making improvements to the computerisation of records in this area.
- Any recommendation that was a medium risk and overdue for more than 12 months should be dealt with as a matter of urgency.
- Business continuity and the recent cyber attack on the NHS and IT failure at London and Gatwick airports. The Council conducted regular on going assessments on its own systems and a contract with an outside provider to provide back-up facilities would be renewed in July. Lessons needed to be learnt from other business sectors.
- Following an Internal Audit, service areas routinely received a survey to be completed, however, only 19 out of 23 had done so. It was **AGREED** that this number ought to be 23 out of 23 and the Committee requested that the Director of Finance, Assets and Resources take this message back to the Leadership Team.

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

11. **INTERNAL AUDIT REPORTS**

The discussion regarding internal audit reports had taken place under the previous item; there had been no need to move into Part II.

12. **PERFORMANCE AND RISK FOR 2016-17 (00:34:13)**

The Committee had before it, and **NOTED**, a report * from the Director of Corporate Affairs & Business Transformation providing it with an update on performance against the Corporate Plan and local service targets for 2016-17 as well as providing an update on key business risks.

Discussion took place with regard to the following:

- The number of days lost due to sickness – April and May were showing a zero figure which surely was not the case? It was explained that in the transition from quarterly reporting to monthly reporting back dated data had simply not been available. This would not be the case going forwards.

- The number of visitors per month and the target being 4000. The question was asked as to whether the closure of the Crediton office had been taken into account when setting this figure? It was agreed that a more challenging target needed to be set.
- The target figure in relation to customer satisfaction with front-line services being 80%. It was felt by the Committee that this figure ought to be raised to at least 85% and the Internal Audit Team Leader agreed to refer this back to the Head of Service.
- The Food Hygiene Rating Scheme which had been introduced in 2010.
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Note: * Report previously circulated, copy attached to the signed minutes.

13. **DRAFT ANNUAL ACCOUNTS 2016/17 (00:43:10)**

The Committee had before it the draft Annual Report and Accounts * for 2016/17.

The Director of Finance, Assets and Resources stated that as was the case last year, the draft accounts had been completed a month ahead of the statutory deadline. This had been a challenging timescale but had been achieved due to the hard work and dedication of his accountancy team.

The Committee's attention was drawn to the following within the report:

- The balances held as at 31 March 2017 and shown in section 2.3. A surplus of £30k had been achieved on the General Fund for the year and was testament to the proactive work undertaken by managers to bring figures in on budget. The Housing Revenue surplus had been transferred to the modernisation reserve which would allow the Council to spend more money on its existing housing stock. Successful cash collection, for example, in the area of housing rents, had been a chief factor in providing this positive outcome for the year.
- Financial monitoring and the reporting of this through the committee structure had been very accurate throughout the year.
- Since the agenda for the meeting had been published there had been further adjustments to the draft accounts and an Addendum document was tabled listing these minor 'cosmetic' adjustments.
- Movement in Reserves Statement – this showed that the General Fund balance and the amount held for Revenue purposes was £2,241k.
- The Committee compared service areas in the Comprehensive Income and Expenditure Statement in terms of comparing figures from 2015/16 to 2016/17. In the area of Human Resources there had been a significant increase in expenditure during 2016/17. It was explained that this was due to job evaluations and corporate training to equip the workforce with the skills that they needed despite lower numbers of staff. The area of Planning and Regeneration was also discussed in terms of it being impossible to predict the number of planning applications that would be received during a financial year or how many Section 106 contributions would be received.
- The deficit on the Pension Fund had increased significantly, however, this was reflected nationally.
- The Balance Sheet showed that there had been an increase in the valuation of the housing stock and overall the Balance Sheet was showing an improvement of £10m compared to the previous year.
- Transfers to and from the earmarked reserves were summarised.

- It was **AGREED** that the Director of Finance, Assets and Resources would circulate by email details in relation to the amount specified for the Air Quality Fund in Crediton.

The Committee thanked the Director of Finance, Assets and Resources and his team for the timely production of the draft accounts and for their contributions in bringing the Council in on budget in what were challenging financial times.

RESOLVED that the draft Annual Report and Accounts and Addendum document for 2016/17 be approved.

(Proposed by the Chairman)

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

Addendum to the draft Accounts

14. EXTERNAL AUDIT PROGRESS REPORT (01:18:08)

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

The update included the following information:

- The final accounts audit had commenced today and Grant Thornton would be on site for approximately two weeks. They would be issuing their audit opinion at the special meeting of the Committee on 17 July 2017.
- Testing would take place in relation to the housing benefit subsidy claim in September.
- There was a period of time whereby the public could inspect the draft accounts. This would be finished by Friday 14th July allowing the signing off of the accounts to take place the following Monday.
- Grant Thornton had issued a report on board effectiveness and reference was made to the fact that this Committee had increased the size of its membership to strengthen its effectiveness.
- An 'Income Spectrum' report had also been produced which was being used as a useful reference tool as central government funding was being reduced. Hard copies would be made available.

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

15. GRANT THORNTON - 2017/18 FEE LETTER (01:28:15)

The Committee had before it, and **NOTED**, a letter * from Grant Thornton outlining the audit timetable and billing schedule for 2017/18.

16. START TIME OF MEETINGS (01:31:17)

It was **AGREED** to continue to meet at 5.30pm on Tuesday evenings.

17. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (01:31:50)

The following was **AGREED**:

- There would be no Value for Money report at the next meeting (however, the external audit opinion in relation to this would be issued)
- There would be no Performance and Risk report at the next meeting as the meeting would focus on the Accounts and the Annual Governance Statement only.

(The meeting ended at 7.10 pm)

CHAIRMAN