

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 17 July 2017 at 10.00 am

**Present
Councillors**

R Evans (Chairman)
Mrs J B Binks, Mrs C Collis, T G Hughes and R F Radford

**Apologies
Councillors**

R M Deed and L D Taylor

**Present
Officers**

Andrew Jarrett (Director of Finance, Assets and Resources), David Curnow (Deputy Head of Devon Audit Partnership), Catherine Yandle (Internal Audit Team Leader) and Sarah Lees (Member Services Officer)

**Also in
Attendance**

G Daly and S Johnson (Grant Thornton)

18. Apologies

Apologies were received from Councillors R M Deed and L D Taylor.

19. Public Question Time

There were no members of the public present.

20. Minutes of the previous meeting

The minutes of the meeting held on 30 May 2017 were approved as a true and accurate record and **SIGNED** by the Chairman.

21. Chairman's Announcements

The Chairman informed the Committee that before the meeting he had met with David Curnow who is the Deputy Head of the Devon Audit Partnership regarding the new arrangements going forwards. He hoped to have regular meetings of this nature.

22. Internal Audit Service - future officer support to the Audit Committee

David Curnow was formally introduced to the Committee. He stated that he would be bringing Internal Audit Progress reports to the Committee in the future although Catherine Yandle would continue to bring Performance and Risk reports as well as the Annual Governance Statement Action Plan updates. It was further stated that reports may be presented in a more visual format with charts and graphics in the future. It was suggested that an example of the new format be circulated to the Committee members.

23. **Annual Governance Statement**

The Committee had before it a report * from the Internal Audit Team Leader presenting it with the finalised Annual Governance Statement (AGS) for 2016/17 and accompanying Corporate Governance Framework. Relevant legislation with regards to the AGS was listed in the report and the point was emphasised that 'Delivering Good Governance in Local Government: Framework (2016)' was an update to the 2007 publication and 2016/17 was the first year for which this framework applied. This update had necessitated a number of changes, one being that there were now seven principles of Good Governance instead of six.

Following a review of the sources of assurance and evidence to support the AGS, it was the opinion of the Internal Audit Team Leader that the Council's control environment was adequate in the 2016/17 financial year.

RESOLVED that the Annual Governance Statement for 2016/17 be approved and that the Chief Executive and Leader of the Council sign the Statement as per the statutory guidance.

(Proposed by the Chairman)

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

24. **Annual Report and Accounts for 2016/17**

The Committee had before it, a report * from the Director of Finance, Assets & Resources presenting the final version of the annual report and accounts for 2016/17.

It was explained that this report needed to be considered in tandem with the external auditors' audit findings report and any comments made by them be considered as part of the overall Committee decision.

It was stated that there had been no material changes to the accounts since a draft set had been presented to the Committee in May 2017.

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

(Proposed by the Chairman)

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

25. **Grant Thornton Audit Findings 2016/17**

The Committee had 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 Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice.

The report was presented 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. This included reference to third party confirmation on investments with broker Prebon and receipt of a Pension Fund assurance letter from the auditor of the Devon County Council Pension Fund. Both had now been received.

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

- They had not identified any adjustments that affected the Council's reported financial position and there had been no challenges.
- With regard to the Pension Liability disclosed in the accounts this had increased by £16,502k, primarily as a result of the reduction in the discount rate applied by the actuary. The external auditors had reviewed all the assumptions applied and were assured that this was in line with the general application across Local Government pension schemes.
- Two weaknesses had been identified in the Council's IT arrangements in relation to password complexity and this would be addressed by the Leadership Team. It was explained that as part of the annual Public Sector Network compliance review a company was employed to try to hack into the Council's system. They had not been successful thus far, however, lessons had been learned as a result of this process.

Discussion took place regarding:

- All opportunities being in place to allow for the reporting of possible fraud should there be any suspicions.
- Audits were not designed to hone in on everything, risks were looked at and assurances sought that these were mitigated wherever possible.
- A risk had been identified around financial resilience and the need to have robust plans underpinning any savings plan. It was explained that reserves had been increased by £2m to provide a buffer against the on-going financial storm. A Medium Term Financial Plan would be presented to the Cabinet in October which would address these issues.

In conclusion, the Cabinet Member for Finance stated that Finance needed to be congratulated on a clean set of accounts as well as all service managers for bringing their areas in on budget.

The Chairman stated that he would be writing to individual officers to thank them personally for their efforts in allowing the Council to be one of the first authorities to sign off their accounts for the second year running. This was worth celebrating and a press release ought to be written as soon as possible.

26. **Identification of items for the next meeting**

The Committee **NOTED** the items on the agenda for the next meeting. No further items were identified.

(The meeting ended at 10.55 am)

CHAIRMAN