

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD IN THE REPTON ROOM, FOLLATON HOUSE, PLYMOUTH ROAD,
TOTNES ON THURSDAY, 9th DECEMBER 2021**

Members in attendance * Denotes attendance ∅ Denotes apology for absence			
*	Cllr L Austen (Chairman)	*	Cllr R Rowe
*	Cllr J Brazil	*	Cllr B Spencer (Vice-Chairman)
*	Cllr J McKay	*	Cllr B Taylor
*	Cllr J T Pennington		

Member(s) also in attendance (joined remotely via Teams Meeting):
Cllrs N Hopwood, J Pearce, and K Pringle

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Chief Executive; Director of Place and Enterprise; Section 151 Officer (via Teams); Head of Finance (via Teams); Democratic Services Manager; Head of Strategy & Projects; Audit Manager; Audit Specialist (via Teams); Democratic Services Specialist; IT Specialist.

A.19/21 MINUTES

The minutes of the Audit Committee meeting held on 28 October 2021 were confirmed as a true and correct record.

A.20/21 URGENT BUSINESS: GOVERNANCE REVIEW – COMMUNITY HOUSING PROGRAMME

The Chairman advised that he had agreed for one urgent item to be raised at this meeting that related to a recommendation arising from the Executive meeting held on 2 December 2021 (Minute E.69/21 refers) that read as follows:

‘That the Audit Committee consider the learning from the governance review of the Community Housing Programme and its application to the Council’s wider programme management function.’

The Leader introduced the report that set out the key findings of the Governance Review into the Community Housing Programme, which proposed a broad range of recommendations to improve the Governance Framework around the remaining projects; the majority of which had already been implemented.

During the introduction it was highlighted that the Senior Leadership Team had a lack of capacity at that time which had resulted in additional pressure being placed on the Extended Leadership Team and that the Community Housing Programme had been run as a separate module with most of the Officers involved having subsequently left the Council. The Leader outlined that the report recognised past errors, but with the reformed Council Constitution and enhanced governance measures that had since been put in place, the published report showed the establishment of an effective framework, enabling the programme to be taken forward with the necessary checks and balances in place.

In the ensuing discussion, particular reference was made to:

(a) the lack of timescales for the actions outlined at Section 10.2 of the published agenda report to be implemented. In the absence of any timescales, two additional recommendations were **PROPOSED** and **SECONDED** as follows:

- 1. That officers be tasked with applying timescales to those actions identified at Section 10.2 of the presented agenda report; and*
- 2. That a progress update be provided to the Committee in six months' time.*

When put to the vote, these additional recommendations were both declared **CARRIED**;

- (b) appreciation was expressed for the honesty that was contained within the published agenda report;
- (c) the need for increased Member involvement in such projects. The Committee agreed that there was a need to ensure increased Member involvement, in particular the importance of seeking the input of local Ward Members from the offset was recognised;
- (d) the lack of affordable housing generated by the Programme;
- (e) the role of the Internal Audit Service. In light of the risks associated with the Programme, a Member questioned as to why it had not been reviewed earlier by the Internal Audit Service. In accepting the point, it was noted that the COVID pandemic had placed a significant impact upon the Internal Audit Work Plan. However, one of the lessons learned from this review (which had been undertaken in consultation with the Internal Audit Service) was the need for the Service to be far more involved (from the offset) in similar projects in the future.

It was then:

RESOLVED

That the Committee has considered the learning from the Governance Review of the Community Housing Programme and its application to the Council's wider programme management function (as set out in the detailed minutes above) and also requests that:

1. Officers be tasked with applying timescales to those actions identified at Section 10.2 of the presented agenda report; and
2. A progress update be provided to the Committee in six months' time.

A.21/21 **DECLARATIONS OF INTEREST**

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

A.22/21 **EXTERNAL AUDITOR APPOINTMENT**

Consideration was given to a report which reviewed the options available to Council regarding procurement and appointment of external auditors, in line with the Local Audit and Accountability Act 2014.

The Council's Section 151 Officer confirmed that she had been in discussions with other local authorities in Devon, and all were joining this approach, which would provide added benefits associated with economies of scale.

It was then:

RECOMMENDED

That the Audit Committee **RECOMMEND** to Council that South Hams District Council opts into the national arrangement for the procurement and appointment of external auditors, through Public Sector Audit Appointments (PSAA), by 11 March 2022.

A.23/21 **UPDATE ON PROGRESS ON THE 2021/22 INTERNAL AUDIT REPORT**

Consideration was given to a report that informed Members of the principal activities and findings of the Council's Internal Audit Plan.

The report showed the progress made by Internal Audit against the 2021/22 Annual Internal Audit Plan, as approved by Audit Committee at its meeting held on 8 April 2021. It was highlighted that the pandemic had impacted on the Audit team's ability to conclude the annual work plan, as outlined in appendices a) and b) of the attendant report.

There was a small change required to the Executive summary of the report as it was the Audit Committee, not Full Council, which had approved the Annual Internal Audit Plan on 8 April 2021.

As Covid had impacted on resources within the team, it had been approved to procure an additional 0.5 full time equivalent of Internal Audit Resource from the Devon Audit Partnership (in line with the recommendation arising from Audit Committee Minute A.4/21) and this was now underway. Once employed, the new officer would be tasked with helping to tackle the backlog on the Internal Audit Plan.

It was then:

RESOLVED

That the progress made against the 2021/22 internal audit plan, and any key issues arising, be noted and approved.

A.24/21

SUNDRY DEBT

Consideration was given to a report that provided Members with an update of the position of Sundry Debt and Housing Benefits Overpayments up to 31st October 2021. It was confirmed that each individual area within the Council was responsible for recovering debt rather than having a sundry debt team.

It was then:

RESOLVED

That the position in relation to Sundry Debt be noted.

A.25/21

TREASURY MANAGEMENT MID-YEAR REVIEW

Members considered a report that set out the Council's annual Treasury Management Mid-Year Review. In addition, the report sought approval of the actual 2020/21 prudential and treasury indicators.

To date, the Council had underperformed on the industry benchmark by 0.03%. The Council had achieved a rate of return of 0.02%, against the Sterling Overnight Interbank Average (SONIA) rate of 0.05%. The Council's budget for investment interest for 2020/21 was £203,000 with the current forecast at £109,810, thereby leaving a shortfall against budget of £93,190.

The Section 151 Officer confirmed that the Council's main focus was for security in their investments, and then liquidity, with yield being the third criteria. It was acknowledged that it was not prudent to have all of the Council's monies tied up in long term investments.

It was then:

RESOLVED

That the contents of the report be endorsed.

A.26/21

STRATEGIC RISK UPDATE

In accordance with the Risk and Opportunity Management Strategy adopted by Council in 2018, the Audit Committee was presented with a report that formed the required bi-annual update.

The Leader gave thanks to the Head of Strategy and Projects for the work involved in producing the re-formatted Strategic Risk Register (Appendix A of the attendant report) which was felt to be a great improvement and had resulted in the Risk Register being more accessible and useable. The Officer confirmed that red risks would be reviewed by the Senior Leadership Team, while risks highlighted as at amber would be reviewed by the relevant Director and Head of Service, and the slightly lower ranked yellow risks would be reviewed by the relevant Head of Service.

Following questions from Members of the Committee, it was confirmed that the potential risk arising from cyber-attack(s) had increased, with plans in place to mitigate the risk and the potential impact. It was reinforced that all staff and all Members needed to complete the mandatory cyber training as this formed a significant aspect of the mitigation.

It was also clarified that, whilst there was not one specific risk for climate change, climate change formed part of the risk analysis for every risk. The Officer confirmed that future risk registers would show projects which were linked with the Council's role as a developer.

In recognition of its importance, it was **PROPOSED** and **SECONDED** and when put to the vote declared **CARRIED** that:

'an all Member Briefing on Business Continuity be held before the next Full Council Meeting to be held on 10 February 2022.'

It was then:

RESOLVED

That the Audit Committee:

1. has considered the Strategic Risk Register as set out in Appendix A of the attendant report (and has commented as set out above); and
2. request that an all Member Briefing on Business Continuity be held before the next Full Council Meeting is held on 10 February 2022.

A.27/21

INVESTMENT PROPERTIES – UPDATE AND MONITORING REPORT

Consideration was given to a report that provided the Committee with financial information in respect of the Council's Investment Property portfolio to date.

Following questions from Members, it was clarified that:

- a) there were no rental issues associated with the two investment properties that the Council had purchased;
- b) the lease on the accommodation above the Dartmouth property was due to expire in ten years' time and it would be at that point that options would be reviewed. Furthermore, officers confirmed that rents could be reviewed every five years;
- c) ten percent of the rental income generated from the Dartmouth property was moved to the MMRM (Maintenance Management and Risk Mitigation) Reserve, but the same did not occur for the Lee Mill investment property as this was land.

It was then:

RESOLVED

That the valuation figures of the Council's two Investment Properties (and the rental income being received) be noted.

A.28/21 **AUDIT COMMITTEE WORK PROGRAMME**

The Committee noted the work programme and agreed that, due to the anticipated length of the agenda, the Committee meeting that was to be held on 10 March 2022 would start at 11:00 am.

(Meeting commenced at 2.00 pm and concluded at 3.30 pm)

Chairman