

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 28 September 2016

Present:-

Councillor Natalie Vizard (Chair)
Councillors Baldwin, Gottschalk, Mrs Henson, Sheldon, Packham and Warwick

Also Present

Deputy Chief Executive, Assistant Director Finance, Technical Accounting Manager, Audit Manager (HP) and Democratic Services Manager (Committees)

Darren Gilbert – Director KPMG
Tara Westcott – Senior Manager KPMG

Councillor Pearson – Portfolio Holder for Support Services

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APOLOGIES

Apologies were received from Councillors Harvey, Lamb and Wood.

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MINUTES

The minutes of the meeting held on the 22 June 2016 were taken and signed by the Chair as correct.

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DECLARATIONS OF INTEREST

No declarations of disclosable pecuniary interest were made.

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AUDIT AND GOVERNANCE COMMITTEE TECHNICAL UPDATE AND PROGRESS REPORT (EXTERNAL AUDITORS)

Darren Gilbert, Director, and Tara Westcott, Senior Manager, Public Sector Audit, KPMG, the Council's external auditors, presented the Technical Update and Progress report which provided Members with an updated position of the progress made by them to deliver their responsibilities as the City Council's auditors.

He advised Members that they had received excellent support from officers and been able to maintain the anticipated progress in relation to their work.

Members were made aware of the Publication 'Reimagine – Local Government' that KPMG had published highlighting the 'English Devolution: Chancellor aims for faster and more radical change' and 'what is the future of cities?' publications. Members were updated on the new arrangements from 2018/19 to appoint auditors; the NAO Report on Capital Expenditure and Resourcing; Public Sector Audit Appointments Ltd (PSAA); Value for Money (VFM) Tool and the update to the 2015/16 Code of Practice.

The Assistant Director Finance commented that the Council would need to consider the PSAA option under the audit contracts new arrangements from 2018/19, an area that the Devon Authorities Section 151 Officers Group would be discussing to explore the possibility for a joint, wider tender for audit procurement. He advised

Members that the Council had submitted their response to the Business Rates (BR) Consultation. Currently the Council retained 50% of BR, the proposals being consulted on included 100% retention of BR by Local Government. The Council had concerns regarding the growth retention proposals as the city would start to run out of land to develop and therefore this proposal could have a negative impact on the Council's overall finances.

In response to the Chair, the Assistant Director Finance clarified that it was anticipated that the BR scheme would be announced in the late autumn, going through Parliament in February 2017. The scheme would then be piloted although the pilot was anticipated to be in a Combined Authorities area with an Elected Mayor.

The Audit and Governance Committee noted the report.

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**REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2015/16 -
AUDIT FINDINGS FOR EXETER CITY COUNCIL (EXTERNAL AUDITOR)**

Darren Gilbert, Director, Tara Westcott, Senior Manager, Public Sector Audit, KPMG, the Council's external auditors presented the Governance ISA 260 2015/16 findings. KPMG advised that they would be issuing an unqualified audit opinion in the Council's financial statement by 30 September 2016. Members were advised of the Value For Money (VFM) conclusion and the following VFM risks:-

- Impact of the performance of Strata Service Solutions on the Authority;
- Non-compliance with the procurement process; and
- New development of the leisure and bus station centre.

KPMG reported that they would be issuing a qualified VFM conclusion as a result of a weakness in the procurement process.

Darren Gilbert clarified that the Council's Internal Auditors had already identified issues relating to procurement arrangements and the Council had recognised procurement as a risk within the Annual Governance Statement. The Council was responding to this risk and an action plan was in place to respond to the issues identified.

The Council had accepted the recommendation to ensure that the progress in delivering the procurement action plan is closely monitored and that sufficient resource is available to implement the required improvements to the Council's procurement arrangements.

The Assistant Director Finance stated that the issues with the procurement process had been already reported to Members by Internal Audit. The Council now had a procurement consultant who had drawn up an assessment of the current process including looking at all spend on contracts over £50,000 in 2015/16 and weaknesses had been identified. A report would go to Executive on 11 October 2016 to put together a team to deliver the support required to implement the procurement action plan and update the Contract and Procurement Procedure Rules and Financial Regulations.

The Audit and Governance Committee noted the report on Audit Findings for Exeter City Council (External Auditor).

FINAL STATEMENT OF ACCOUNTS 2015/16

The Technical Accounting Manager presented the report with the Council's final Statement of Accounts 2015/16 for approval and adoption. Members were advised of the main changes to the Accounts including the narrative report which now had a wider content and a backward and forward look at the Council's finances.

The Assistant Director Finance thanked the Technical Accounting Manager and her team for their work on the production of the Final Accounts.

RESOLVED that the Audit and Governance Committee approve the Final Statement of Accounts for 2015/16 for the City Council.

MANAGEMENT REPRESENTATION LETTER TO THE EXTERNAL AUDITOR IN RESPECT OF THE 2015/16 STATEMENT OF ACCOUNTS (EXTERNAL AUDITORS)

The Assistant Director Finance submitted the letter to the current External Auditor, KPMG in respect of the 2015/16 Statement of Accounts. It was an audit requirement to produce the letter.

RESOLVED that the Audit and Governance Committee approve the letter, and request that it be signed by the Assistant Director Finance and the Chair of the Audit and Governance Committee for forwarding to the current External Auditor, KPMG.

INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (HP) presented the report on internal audit work carried out during the period 1 April to 30 June 2016, to advise Members on overall progress against the Audit Plan and to report any emerging issues requiring consideration. Members were advised that progress was on target and there were no concerns or issues.

The Audit and Governance Committee noted the Internal Audit Report.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT - EXCLUSION OF PRESS AND PUBLIC

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of item 10 on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of the Act.

REVIEW OF CORPORATE GOVERNANCE RISK REGISTER

The Assistant Director Finance presented the report of the Corporate Manager Policy, Communications and Community Engagement, which advised Members of the Council's risk management progress and the updated Corporate Risk Register.

In response to Members' questions, the Assistant Director Finance clarified the position with regards to a risk on the register and advised that a mitigation end date and cost of risk/mitigation had been added to register.

The Audit and Governance Committee noted the Corporate Risk Register.

(The meeting commenced at 5.30 pm and closed at 6.25 pm)