

**AUDIT AND GOVERNANCE COMMITTEE**  
**HELD AS A VIRTUAL MEETING**

Wednesday 22 July 2020

Present:-

Councillor Wardle (Chair)  
Councillors Atkinson, Foggin, Hannaford, Henson, D, Mrs Henson, Mitchell, M, Sheldon and Warwick

Also Present

Deputy Chief Finance Officer, Audit Manager (HK), Corporate Manager Democratic and Civic Support, Democratic Services Officer (SLS) and Democratic Services Officer (MD) (HB)

Jackson Murray - Engagement Lead Grant Thornton

17

**APOLOGIES**

Apologies were received from Councillor Pattison.

18

**MINUTES**

The minutes of the meeting held 11 March 2020 were taken as read, approved as correct, for signing by the Chair at the earliest possible convenience, subject to the following amendments :-

- in Minute 9 External Audit Plan (third bullet point and the insertion of the word *pension*, and the second set of bullet points and first bullet point the insertion of the wording carrying out an *assessment of the* actuarial, and
- in Minute 10 clarification that the Annual Audit Letter was being presented for the *period 2018/19* and not 2019/20 as stated.

19

**DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

20

**EXTERNAL AUDIT PROGRESS REPORT**

Jackson Murray, the Engagement Lead from Grant Thornton the Council's external auditors provided the progress report and referred to the overarching impact on the financial reporting timetable due to the COVID-19 pandemic. He sought to update Members on key matters that have arisen since the issue of the Audit Plan at the meeting of the Audit & Governance Committee in March 2020. He continued to liaise with the Section 151 Officer and other key finance and Audit staff around the production of the draft financial statement for 2019/20.

He also provided details of the audit timetable changes and subsequent work in response to COVID-19 specific issues.

- the issue of an addendum to the Audit Plan on 27 April 2020 included a reference about the significant risk relating to COVID-19. The Accounts Audit (Coronavirus) (Amendment) Regulations 2020 had provided for the draft

accounts approval by 31 August 2020 and a later publication date of 30 November for the reporting of local authority final audited accounts.

- the National Audit Office consulting on the Auditor guidance notes for the new Code of Audit practice, applicable for 2020/21 onwards, includes significant changes to value for money work. 2019/20 would be the last year under the current arrangements. They have not identified any additional risks in relation to value for money.
- work had commenced on a report of the Council's control environment, and although the work had yet to be concluded, to date there were no control weaknesses to bring to the Committee's attention.
- the deadline for a review of the housing benefit subsidy claim has been extended until the end of January 2021.
- early substantive testing during the interim audit was halted as that coincided with the initial stages of the Government imposed lockdown and Council officers were focusing on higher priority areas. Testing will still be carried out as part of the final audit. The deadlines and timetables for that audit have been extended nationally in response to these specific issues, and
- finally officers from Exeter City Council attended a financial reporting workshop in February 2020, and more recently, reflecting the change in working practices, a virtual workshop which looked at specific financial reporting issues in relation to COVID-19.

The Audit and Governance Committee noted the External Audit Progress Report.

21

### **ANNUAL GOVERNANCE STATEMENT 2019/20**

The Audit Manager (HK) presented the Annual Governance Statement that would accompany the Council's Statement of Accounts for 2019/20. The Council was required to prepare and publish the Annual Governance Statement by Regulation 4 of the Accounts and Audit (England) Regulations 2011. The Governance Statement is a statutory requirement which reviews the Council's performance and any significant issues that are raised throughout the year in respect of corporate governance.

Members' attention was drawn to four new significant issues arising in this year. Three of which, related to the COVID-19 pandemic and the City Council's response and actions taken to address the crisis were noted in the summary of action column. An update of the key issues will be provided quarterly to the Audit and Governance Committee throughout the final year as part of the Internal Audit Progress report.

In response to questions from a Member, the Audit Manager clarified that whilst the corporate risk register was reviewed quarterly by this Committee and was publicly available, the operational risk register was made up of risk identified in individual service plans and was not publicly available. She also confirmed that the reference to corporate complaints related to the number of individual complaints made by members of the public.

**RESOLVED** that the Audit and Governance Committee approve the Annual Governance Statement of Accounts for 2019/20 and be signed (at the earliest possible convenience) by the Chief Finance Officer and the Chair of the Audit and Governance Committee and be included within the Council's Annual Statement of Accounts for 2019/20; and

**RECOMMENDED** to Council to note and approve the Annual Governance Statement included within the Council's Annual Statement of Accounts for 2019/20.

22

### **ANNUAL INTERNAL AUDIT PROGRESS REPORT 2019/20**

The Audit Manager (HK) presented the Internal Audit Annual Report for the year ending 31 March 2020. The report conformed to the Public Sector Internal Audit Standards and was timed to inform the Council's Annual Governance Statement. She drew Members' attention to key points within the report and advised on the overall opinion and assurance. The Internal Audit's overall opinion was included at paragraph 2.5 of the circulated report with confirmation that key systems were operating satisfactorily with no fundamental breakdown of control resulting in material discrepancy.

The report contained a summary of the audit reports undertaken throughout the year and the following points were highlighted:-

- work in relation to the Audit Plan for 2019/20 had been put on hold as a result of COVID-19, as Council services were required to respond to the changing situation on a daily basis so as not to place additional pressure on already stretched service areas. Any remaining work would be picked up later in the year.
- a full report on the impact of COVID-19 on the internal audit service and Annual Audit Plan would be presented at a future meeting as response and recovery work was still ongoing.
- the overall audit opinion provided a summary of the assurance provided by Internal Audit with an overall increase in percentage of limited assurance rating reports. The limited assurance rating only related to one report.
- Managers' responses to findings throughout the year was positive and there were no occasions where remedial action was not agreed by management.
- there was a 23% increase in the number of reported frauds from members of the public, and all reports were investigated either by Internal Audit or by the relevant service.
- a report on the Whistleblowing Policy was required but there were no concerns raised.
- there was an impact on the contingency planning as the Internal Audit team were required to attend a number of workshops and training sessions relating to the agile and flexible project.
- following an external inspection undertaken in January 2020, Internal Audit were confirmed as having complied with the public sector internal audit standard and judged as having the policies and process that conform to the standard.

The Audit Manager responded to a Member's question on the suggestion of some fast tracking rather than the apparent deferral of business continuity planning due to the COVID-19 pandemic. She confirmed that there had been a number of workshops involving the service leads and the Council's insurers to discuss business continuity planning, but the process had accelerated after March with all services leads responding to the task of a revising the plan. Internal Audit would carry out a review of the process later in the year.

The Audit and Governance Committee noted the Annual Audit Report for the year ended 31 March 2020.

The Corporate Manager Democratic and Civic Support presented the report which provided detail of a draft new model code of conduct which is being presented for consultation by the Local Government Association (LGA) with comments due back to them as part of the consultation exercise by 17 August 2020.

The report included a template for Councils to adopt in whole and/or with local amendments. The additional elements contained in the new model code, particularly when compared to the existing code adopted by this Council, made clear the conduct expected of councillors, as well as showing what action could be taken if the code was found to have been breached, thereby adding to the Council's transparency agenda.. It was noted that the Monitoring Officer would be looking to retain the existing protocol where members who declared a Part 2 interest (i.e. one of a personal but not pecuniary nature) would be expected to leave a meeting if the matter was being discussed – this was noted as being an extension to the model code.

Members were encouraged to offer their comments to the City Solicitor in consultation with the Chair of this Committee as part of a collaborative response on behalf of the Council as well as there being an online tool for Members and officers to also make comments.

Members made the following comments:-

- the inclusion and enhancement of what we have at the moment was to be welcomed. The Member referred to the importance of ensuring there was a mutual respect and civility between all those connected with the organisation including Councillors, paid employees and volunteers and partner organisation. He hoped that in moving to an enhanced model of conduct that there should be more rigorous action to deal with any bullying behaviour or incidents of harassment. The Member also commented on the need to explore issues around managing and maintaining professional relationships with Elected Members who may also have a range of mental health and other complex needs. The Corporate Manager Democratic and Civic Support referred to the work behind the scenes to those Councillors who might have put the Council into that position and also in terms of investigations by the Monitoring Officer into formal complaints. The new model code of conduct raises awareness of the respect there should be for all involved in public office.
- it was important that all councillors were aware of the draft new model code of conduct and would make a submission.

The Corporate Manager Democratic and Civic Support thanked Members for their comments and confirmed that although the report and invitation to comment had been circulated to all Members as part of the Audit and Governance agenda, he would ensure that the detail was circulated again. He also responded to a Member's question and confirmed that although Members were aware there was an annual requirement for them to review and renew their declaration of interest as appropriate, when the Council decides to adopt a new code of conduct, all councillors will be expected to sign up to it at that point. The appendix circulated with the report contained a definition about Members' interest, but it was important to continue with the stance that the interest not only related to themselves but also to their spouse or anyone else who lives with them.

The Corporate Manager Democratic and Civic Support was unable to put a timeframe on this matter as the draft model code of conduct was out for consultation, he suggested as and when the finalised version of the model Code of Conduct was approved by the LGA that the Code comes back to this Committee and then Full Council for formal and final approval.

**RESOLVED** that the Audit and Governance Committee considered the Model Code of Conduct and commented accordingly, delegating the City Solicitor in consultation with the Chair of this Committee, to submit any comments on behalf of the Council.

24

### **REVIEW OF CORPORATE GOVERNANCE RISK REGISTER**

The Audit Manager (HK) referred to the Audit and Governance Committee's responsibility for monitoring and reviewing the Corporate Risk Register. She presented an update of the Risk Register and advised that the responsibility for facilitating the Register had passed from Executive support to Internal Audit. She highlighted one new risk and one amendment to the risk scoring identified in the report added by the Strategic Management Board:-

- any inability to manage and respond to COVID-19, and
- any inability to maintain the financial stability of the Council. The residual risk scoring had been increased by the Chief Finance Officer from a medium to a high level, as a result of the Covid-19 situation.

In response to comments and questions from Members, the Audit Manager and the Corporate Manager Democratic and Civic Support responded in the following terms:-

- details of the housekeeping arrangements for the continuing operation of the Civic Centre and particularly if there should be a second wave of COVID-19. The Audit Manager advised that staff have been given an instruction to continue to work from home for the foreseeable future with the intent that will continue for a much longer period. The Corporate Manager Democratic and Civic Support added that a number of actions have been taken despite there being small numbers of staff in the building at any one time now, such as hand sanitisers placed at all of the access entrances and throughout the building. The Strategic Management Board had reacted to Government social distancing guidelines with the instigation of other changes such as a one way system around the floors, keeping to one side on the stairs, and a no entry on the foot bridge between the two buildings. Other work includes screens in the customer service centre to protect staff and customers. More recently there had also been the opportunity for over 100 staff to request additional pieces of IT equipment to make it more comfortable for staff to continue to work from home.
- the Strategic Management Board have commented on the additional staff costs of staff working from home, and although there was no intention to offer a reimbursement of costs such as heating or lighting, there may be opportunities for staff to reclaim some of the costs being incurred via their annual tax returns. It was noted that there were also potential savings for staff in time and money travelling into the Civic Centre as well as contributing towards the Council's green travel agenda.
- the Audit Manager would obtain a response for the question about Risk 9 about mitigation if the Greater Exeter Strategic Plan (GESP) is not approved and circulate to Members of the Committee.

The Audit and Governance Committee noted the contents of the Risk Register.

(The meeting commenced at 5.30 pm and closed at 6.20 pm)

Chair