

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 23 September 2015

Present:-

Councillor Vizard (Chair)
Councillors Laws, Buswell, Harvey, Henson, Lyons, Sheldon, Williams, Raybould and
Thompson

Apologies:-

Councillor Baldwin

Also Present

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

David Bray - Grant Thornton
Geraldine Daly - Grant Thornton

28

MINUTES

To receive the minutes of the meeting held on 24 June 2015.

29

DECLARATION OF INTEREST

Councillor Thompson declared an interest in relation to a number of risks identified
in the report as she confirmed she had a benefit from a restrictive land covenant.

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INTERNAL AUDIT PROGRESS REPORT 1ST QUARTER 1ST APRIL TO 30TH JUNE 2015

The Audit Manager (HP) presented the progress report on the areas of work carried
out by the Internal Audit Team during the period April to June 2015. The report also
included the overall progress made against the 2015/16 Audit Plan, including the
active monitoring of audit processes and actions. Progress against the Annual
Audit Plan was on target and the detail was included in an appendix to the report.
All of the recommendations made by Audit were accepted by management.

The Audit Manager responded to a comment on the level of risks relating to the
housing benefits subsidy 2014/15. It was noted that additional staff training had
been provided and the level of checks increased. The emphasis of One View of
Debt (OVOD) had moved to provide more of an individual approach for customers,
which had helped to improve the service received by customers, however, at the
time of this audit it was found that it had resulted in a reduction in debts being
collected and increased the length of time to collect debts. Following the
implementation of a number of audit recommendations, improvements have been
made. The Assistant Director Finance stated that over £5 million had been
collected in the last financial year and council tax collections were now ahead of the
financial target. He addressed a Member's comment and confirmed that Internal
Audit would make a follow up investigation in three months to make sure that all
issues had been addressed, and would report back to Committee if any work
remained outstanding. He reminded Members that the Audit and Governance
Committee had the power to call in any area of work where it was felt that officers

were not fulfilling their duty. It was noted that staff were also regularly reminded of their duty and the consequences of any instances or suspicion of fraud, which included both reporting to the Police as well as keeping senior Council staff and Members informed. A Member suggested staff could be made aware at the staff Exchange Briefings and asked if whistle blowing workshops were held. The Audit Manager advised that web based workshops were held and she also agreed to make a short briefing to a future Exchange session. The Assistant Director Finance responded to a Member's comment on the timetable for the Partnership Working Protocol and stated that a policy had been drafted and was currently out for comment. He also confirmed that he would address a query raised by a Member in respect of the appropriate pay and contact details provided on an invoice for a one off payment.

The Audit and Governance Committee noted the Internal Audit Progress Report for the first quarter of the year 2015/16.

31 **AUDIT AND GOVERNANCE EXTERNAL AUDITORS COMMITTEE UPDATE**

The External Auditors, Grant Thornton did not submit a separate report, as the detail was included in the Audit Findings item, which was on the agenda.

32 **REPORT TO THOSE CHARGED WITH GOVERNANCE 2014/15 (ISA 260)/AUDIT FINDINGS FOR EXETER CITY COUNCIL**

Geraldine Daly from Grant Thornton presented the Audit Findings report for the Council's financial statements for the year ended 31 March 2015. She referred to the Executive Summary and provided a further update on the report, which had been prepared, whilst the City Council's Audit was still in progress. It was anticipated that, subject to the approval of the final management representation letter and updating of the post balance sheets events review, an unqualified opinion on the financial statement would be issued.

Geraldine Daly confirmed that they anticipated providing an unqualified opinion in respect of the financial statements. It was noted that the 'amber' rating in respect of the strategic financial planning, and the overall assessment would be moved to 'green'. She referred to an unadjusted error relating to all three Councils in respect of the treatment of the pension liability for Strata. Representatives from Exeter City Council, East Devon and Teignbridge District Councils were due to meet to discuss the treatment of Strata's pension liability in 2015/16. The Assistant Director Finance stated that the three owners were considering whether an additional guarantee would resolve the pension liability issue, which would need to receive formal approval at Council. She also referred to the ongoing need to address the policy in respect of authorisation of journal entry policy and procedure. The Assistant Director of Finance advised that the Council's financial system, Efinancials, does not currently have the ability to implement journal authorisation controls and an alternative solution would be sought with our new external auditors, KPMG.

A Member enquired about the employment status and also membership of the Local Government Pension Scheme. The Assistant Director Finance stated that Members were not legally allowed to join the Local Government Pension Scheme following a review of the long term affordability and sustainability of taxpayer-funded pension schemes, legislation having been passed to withdraw access by Councillors to the scheme.

The Audit and Governance Committee noted the report.

33 **MANAGEMENT LETTER TO THE EXTERNAL AUDITOR IN RESPECT OF THE 2014/15 STATEMENT OF ACCOUNTS**

The Assistant Director Finance submitted the letter to the current External Auditor, Grant Thornton in respect of the 2014/15 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, Grant Thornton.

34 **FINAL STATEMENT OF ACCOUNTS 2014/15**

The Assistant Director Finance presented the Technical Accounting Manager's report with the Council's final Statement of Accounts for 2014/15, which was a statutory requirement for approval and publication by 30 September 2015. The report also included the Annual Governance Statement for 2014/15. The audit of Exeter City Council's accounts for the year ending 31 March 2015 had been concluded, and the Council's external auditor, Grant Thornton intended to provide an unqualified opinion on the accounts, and would issue the Audit Certificate on Friday.

Members thanked the Assistant Director Finance and his team for the production of the Final Accounts.

RESOLVED that the Audit and Governance Committee approved the Final Statement of Accounts for 2014/15 for the City Council.

35 **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - 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 for the consideration of the following item on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3, of Part 1 of Schedule 12A of the Act.

36 **REVIEW OF THE CORPORATE GOVERNANCE RISK REGISTER**

Councillor Thompson declared an interest in relation to a number of risks identified in the report as she confirmed she had a benefit from a restrictive land covenant.

The Deputy Chief Executive presented the report which advised the Committee of the Council's risk management progress, and included details of the updated Corporate Risk Register, as part of the Council's corporate governance arrangements. The report also advised the Committee of the changes introduced to the Council's Risk Management policy and procedures which was included, as an appendix to the report.

A Member sought clarification on the claw back arrangement in relation to the Section 106 agreements and infrastructure delivery in respect of the Pinhoe Quarry and Redrow developments. She also enquired about the position in relation to the Village Green application at Eastern Fields and also sought information on the District Heating Scheme. The Deputy Chief Executive confirmed he would obtain a reply as appropriate.

The Deputy Chief Executive provided the following responses to Members' comments:-

- the arrangements and provision of debt advice from CAB and other partners, as well as the support and advice from the Exeter Money Advisory Partnership was delivered from the Civic Centre.
- support and advice had been sought from the Local Government Association and Devon County Council in relation to the status of some surface water sewers.
- it was noted that the Assistant Director City Development had contributed to the risk evaluation score in relation to the pursuance of any out of town shopping development.
- the risk classification of car park income fluctuated in part due to the impact of the local economy and any out of town retail development.

The Audit and Governance Committee noted the report.

(The meeting commenced at 5.30 pm and closed at 6.50 pm)

Chair