

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 7 December 2016

### **Present:-**

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

### **Also Present**

Assistant Director Finance, Audit Manager (HK), Democratic Services Manager  
(Committees) and Democratic Services Officer

Darren Gilbert – Director KPMG  
Rob Andrews – Manager KPMG

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### **MINUTES**

The minutes of the meeting held on 28 September 2016 were taken as read 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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### **EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE**

Darren Gilbert, Director and Rob Andrews, Audit Manager from KPMG presented the progress report which provided Members with an updated position with regards to the delivery of their responsibility as the City Council's auditor.

Members were advised on the timeline of deliverables and informed that the Grants Certification work has been completed. There was no technical update for this Committee to note. The Annual Audit Letter has been completed and will summarise the outcomes and key issues arising from audit work for the year

The Audit and Governance Committee noted the report.

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### **ANNUAL AUDIT LETTER 2015/16**

Darren Gilbert, Director from KPMG presented the Council's Annual Audit Letter, which was a statutory requirement and provided a summary and judgement of the key findings arising from the work carried out for the City Council in 2015/16. He updated the Committee and confirmed that the Annual Audit Letter included an audit of the financial statements, the value for money (VFM) conclusion and informed there was no new information to update.

Members were advised of the significant matters that were identified as part of the VFM audit work. KPMG had issued an unqualified opinion on the Authority's financial statements on 28 September 2016 and confirmed that the financial

statements gave a true and fair view of the financial position of the Council and of its expenditure. Darren Gilbert informed the report was aimed at a public audience.

In response to Members' questions, Darren Gilbert, informed the Members another officer within the finance team, should action spot checks to ensure posted journals were supported and legitimate.

The Audit and Governance Committee received the Annual Audit Letter.

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#### **CODE OF CORPORATE GOVERNANCE - 2016/17 UPDATE**

The Assistant Director Finance presented the report which set out the proposed updated Code of Corporate Governance to reflect the updated principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016).

Members were advised that the Council was required to prepare and publish an Annual Governance Statement and to report on the Council's performance against the Code of Corporate Governance. As the underlying principles had been amended it was necessary to update the Code to ensure that the Annual Governance Statement was accurate and meaningful.

The Audit and Governance Committee supported and requested Council approval of the updated Code of Corporate Governance for 2016/17.

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#### **INTERNAL AUDIT PROGRESS REPORT 2ND QUARTER 1 JULY TO 30 SEPTEMBER 2016**

The Audit Manager (HK) presented the report on the internal audit work carried out during the period 1 July to 30 September 2016, she advised Members on the overall progress against the Audit Plan reporting any emerging issues requiring consideration. There were no financial implications arising from the report.

Members were informed that the Financial Regulations update would be undertaken as part of the review of the Councils constitution that will be undertaken in early 2017; there had been improvements to both the Housing Benefit Subsidy and Payments and Collection processes; and training for Officers and Members who act as Directors has now been undertaken.

In response to Members' questions, the Audit Manager clarified that Disabled Facilities Grants were promoted by third party bodies such as social services, these grants were in demand therefore there was no underspend. The Audit Manager also advised that whilst the item on the corporate risk register in respect of employees acting as directors of companies had now been removed from the corporate risk register, it still remained on the operations risk register where it would continue to be monitored to ensure duty of care to staff

In response to Members' questions, the Assistant Director Finance informed the Members on Officers conflicts of interest when they were also a Director. A letter signed by the Chief Executive was issued to a member of staff to set aside responsibility to allow someone else to fill the council role in event of any conflict of interest. If required the person would resign from the position that would cause the conflict.

The Audit and Governance noted the Internal Audit Report.

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**ITEM REQUIRING URGENT ATTENTION**

The Chair agreed to take the following item as urgent business due to the timescales involved and the need for Council approval.

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**REQUEST TO OPT-IN TO PUBLIC SECTOR AUDIT APPOINTMENTS (PSAA)  
LTD - EXTERNAL AUDIT APPOINTMENT PROCESS**

The Assistant Director Finance updated Members on the opportunity for the Council to appoint its own External Auditors for the 2018/19 Accounts onwards.

The Government had agreed that PSAA Ltd, formed in conjunction with the Local Government Association, could run a national tender on behalf of all Local Authorities that wished to participate in the tender. This was similar to the current process where PSAA and formerly the Audit Commission used to tender on a nationwide basis and appoint External Auditors to Councils. Other Councils in Devon (with the possible exception of one) had indicated that they would participate in the PSAA tender process.

It was the view that this would save both time and cost in running the Councils own tender and provide better value for money than the Council would achieve on its own. It was noted there would be less choice of Audit Company's due to the specialist nature of the work. The Assistant Director Finance recommendation was to opt in, with the positives outweighing the negatives for joining.

The process for opting in required approval by Council in advance of the final date for opting in, which is 9 March 2017.

In response to Members' questions, the Assistant Director Finance informed the Members the fees were set nationally and paid direct to KPMG. There were currently 11 companies registered to undertake Local Authorities audit work

**RECOMMENDED** to Council that Exeter City Council becomes an opted in Authority under the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations).

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**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 for the consideration of the following item on the grounds that it included the likely disclosure of exempt information as defined in paragraph 3, of Part 1 of Schedule 12A of the Act.

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**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 the risks on the register and advised that when a risk came off the corporate risk register it would go onto the operational risk register.

The Audit and Governance Committee noted the Corporate Risk Register.

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

Chair