

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 5 December 2018

### Present:-

Councillor Natalie Vizard (Chair)  
Councillors Begley, Musgrave, Pattison, Sheldon, Thompson and Warwick

### Also Present

Chief Finance Officer, City Solicitor & Head of HR, Audit Manager (HK), Policy Officer and Democratic Services Officer

### Also Present

David Bray - Engagement Manager , Grant Thornton  
Rob Andrews – Audit Manager, KPMG

31

### **APOLOGIES**

Apologies were received from Councillors Wood, Henson and Lamb.

32

### **MINUTES**

The minutes of the meeting held 19 September 2018 were taken as read, approved and signed by the Chair as correct.

33

### **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

34

### **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

David Bray, Engagement Manager, from Grant Thornton, presented the progress report, providing Members with details of their work in delivering their responsibilities as the external auditors of the Council. He stated that the Financial Statements Audit would begin in December 2018 and that any findings would be included in the Progress Report at the March 2019 Audit and Governance Committee meeting.

He explained that Grant Thornton had reviewed the KPMG audit files for the closing balance for 2017/18, to determine the opening balances for 2018/19. This was a standard formality procedure undertaken during the transfer from the previous auditor (KPMG) to the current auditor (Grant Thornton).

The Engagement Manager discussed the Chartered Institute of Public Finance and Accountancy (CIPFA) consultation, which would provide authoritative measures of local authority financial resilience using a new index and assess the financial health of each English council. Grant Thornton were happy with the consultation, however the results from the consultation had been referred back to them.

The Chief Finance Officer commented on the CIPFA consultation measures, noting the measures were very broad. Exeter City Council had scored well in some areas,

but had also scored low in other areas, such as not undertaking long term borrowing, which made the current liabilities look weaker. The report provided Members with a context to the scoring, allowing Members to make their own judgement.

Members were advised that the Engagement Manager would be writing to both the Chief Finance Officer and the Chair on any financial irregularities, which was a standard procedure.

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

35            **GRANT CERTIFICATION WORK - HOUSING BENEFIT SUBSIDY CLAIM & QUALIFICATION LETTER**

Rob Andrews, Audit Manager from KPMG, presented Members with the Housing Benefit subsidy claim for the year ending 31 March 2018 and the qualification letter referred to in the Auditors Certificate dated 15 November 2018.

He explained the letter was a final letter from the outgoing auditors, on where different audit work from the regular audit work was needed and setting out three types of claims. He referred Members to the observation figures in the report.

In response to questions from Members, Rob Andrews, Audit Manager, KPMG explained that most authorities are given a random 20 of 1000 questions, which varied the results between Councils. It would be difficult to get an accurate comparison between Exeter and other authorities.

The Chief Finance Officer and the Chair expressed their thanks and gratitude to KPMG for all their hard work and support during the past three years.

The Audit and Governance Committee noted the subsidy claim for the year ending 31 March 2018 and qualification letter referred to in the Auditors Certificate dated 15 November 2018.

36            **INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager (HK) presented the report on the internal audit work carried out during the period 1 July to 30 September 2018, advising Members on the overall progress against the Audit Plan, which had been approved by the Audit and Governance Committee on 14 March 2018.

The Audit Manager (HK) referred Members to the progress against the plan, stating that it was on target to meet the audit plan for the year. Good progress had been made on the agreed actions and there were no instances where remedial action was not agreed by management during this quarter. The Audit Manager referred Members to the work completed between 1 July and 30 September 2018, highlighting that five had been rated as good, and three requiring improvement.

The Audit Manager and Chief Finance Officer commented that both the Procurement and Contract Regulations actions had been completed from the Significant Governance Issues Progress Report. The procurement team was now established, with the service lead working through the time table.

A Member expressed her thanks and gratitude for the 'Homecall' service, listed in the progress report.

The Audit and Governance Committee noted the Internal Audit Report for the second quarter of the year 2018/19.

37      **LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW OF COMPLAINTS  
2018-19**

The Policy Officer presented the report, which explained the role of the Local Government Ombudsman (LGO) in investigating and resolving complaints about councils and included the LGO's 2017/18 annual review of complaints about Exeter City Council. He explained that there was a legal duty to communicate the Council's performance in relation to the LGO annual review to Members.

The Policy Officer discussed the complaints received by Exeter City Council and the decisions made by the LGO for the year ending 31 March 2018, highlighting that, of 16 complaints investigated, the Local Government Ombudsman had only upheld one complaint. There were no other significant issues to report to the Audit and Governance Committee.

The Audit and Governance Committee noted the report for the Local Government Ombudsman's Annual Review of Complaints 2017/18.

38      **REVIEW OF LOCAL GOVERNMENT ETHICAL STANDARDS**

The City Solicitor & Head of HR presented the report which informed Members of the Local Government Ethical Standards review, which had been undertaken by the Committee on Standards in Public life (CSPL) of local government ethical standards. Members were referred to the Terms of Reference for the review outlined in the report. Some Councils had raised concerns on the adequacy of sanctions available to deal with a breach in the Code of Conduct.

The report outcomes were expected to be published in January 2019, but there had been an informed feedback, received which included:-

- Authorities could be self-regulated, providing that the culture was supportive;
- There was a lack of clarity and lack of powers on the code of conduct;
- Political parties could provide support;
- Localism arrangements would work of for most places;
- Parishes lacked capacity to help themselves and needed to be better supported.

The City Solicitor & Head of HR reminded Members to record and declare their interests. She also reminded Members that they could apply for dispensations to take part in a meeting where they would otherwise have an interest which would exclude them from the meeting.

**RESOLVED** that the Audit and Governance Committee:-

- (a) Note the content of this report.
- (b) Are reminded of their obligation to declare any interest they may have in accordance with Exeter City Council's Code of Conduct for Members.
- (c) Where appropriate, Members are reminded that they may apply to the Monitoring Officer for a dispensation to take part in a meeting where they would otherwise have an interest which would exclude them from the meeting.

39      **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.

40

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

The Policy Officer presented the report which advised the Audit and Governance Committee of the Council's risk management progress, which this Committee was responsible for the monitoring and reviewing of the Council's risks.

The Policy Officer explained that the risk register had been re-formatted, for easier viewing and had removed the low risks, previously recorded and that there were no significant changes to the register. She highlighted that there were no new risks added to the register, during the last quarter and that the number of high risks had been reduced from three to one. The remaining high risk, would retain its high score until the full impact of Universal Credit could be assessed. Members were further advised that three risk scores had been reduced and that two risks had been removed from the register during this quarter.

In response to questions from Members, the Policy Officer and Chief Finance Officer responded that:-

- She would speak to the Housing Team about how the counting of rough sleepers was undertaken, and would provide a response to Members;
- Adding safety issues to the register was possible, and the suggestion would be fed back to the Corporate Safety Group;
- The risk register had originally contained contentious items and kept as a confidential item. However, a lot had changed, and the Chief Executive & Growth Director was mindful about addressing the accessibility of the register. Members needed to be aware that there were still risks that were needed to be kept for Members only, but the decision would need to be brought before the Chief Executive & Growth Director and Council Leader.

A Member requested, and was seconded, for the Corporate Governance Risk Register to be re-classified as a public item for all future meetings. Members debated the amendment, and although they were in favour of full transparency, they unanimously agreed to seek additional information and deferred the decision to a future meeting.

The City Solicitor & Head of HR, explained the Audit and Governance Committee had the power to change a Part 2 item to a Part 1 item, if they choose to do so, which Members would have to vote on, to make the appropriate change.

The Audit and Governance Committee reviewed and noted the updated Corporate Risk Register.

(The meeting commenced at 5.30 pm and closed at 6.02 pm)

Chair