

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 13 March 2019

Present:-

Councillor Natalie Vizard (Chair)
Councillors Wood, Lamb, Musgrave, Pattison, Sheldon and Thompson

Also Present

Chief Finance Officer, Corporate Manager Democratic and Civic Support, Audit Manager (HP), Policy Officer and Democratic Services Officer (MD)

Also Present

Geraldine Daly - Engagement Lead , Grant Thornton

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APOLOGIES

Apologies were received from Councillors Henson and Warwick.

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MINUTES

The minutes of the meeting held on 5 December 2018 were taken as read, approved and signed by the Chair as correct.

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DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

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EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

Geraldine Daly, Engagement Lead, of Grant Thornton, presented the Audit progress report and sector update, which provided Members with details of the external auditor's work that had been undertaken.

Members were informed that the planning work for the 2018/19 financial statements audit had started, and that a detailed audit plan outlining the approach had been provided as a separate agenda item. It was noted that the statutory deadline for the issue of the 2018/19 opinion was 31 July 2019. Value for money work was discussed and it was explained that the Housing Benefits certification was no longer covered by Public Sector Audit Appointments Ltd. Exeter City Council had appointed Grant Thornton as the reporting accountants for work in 2018/19 and 2019/20 and had notified the Department for Work and Pensions (DWP) accordingly.

The 2018/19 audit deliverables and the planned committee dates for the work to be presented to the Members were provided. The findings of the interim audit work, conclusions and recommendations were explained, but there were no significant impacts to the final statements.

Members were advised on the Sector Updates and expectations gap which showed the difference between what auditors actually do and what was believed that they do. The Engagement Lead made Members aware that it was the responsibility of the Audit and Governance Committee to challenge audit work.

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

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EXTERNAL AUDITORS AUDIT PLAN

Geraldine Daly, Engagement Lead, of Grant Thornton, presented the External Audit Plan for the year ending 31 March 2019, which showed the significant risks that had been identified and highlighted that the £1.8 Million planning materiality figure was based on the previous year's gross expenditure. Any errors or misstatements of £90,000 or above would need to be reported and that there had been a focus on Value for Money arrangements.

It was noted that the Governance of Exeter City Group Limited and the re-development of the bus station and surrounding area, were significant risks that were specific to Exeter City Council. The risk for delivering a sustainable medium term financial plan, was a general risk faced by Local Authorities.

The indicative fees that had been set by Public Sector Audit Appointments Ltd (PSAA) for the financial statements audit, was £44,573, however the figure was based on the assumption that there were no significant changes to the work. It was possible, that the figure would increase following additional audit work, and would be agreed by the Chief Finance Officer and the Audit and Governance Committee.

In response to questions from Members, the Engagement Lead and Chief Finance Officer explained:-

- There were a variety of methods to investigate estimates errors. If an error was more than £1.8 Million, it would trigger a challenge for Managers to investigate it further. There was no benefit to a person tampering with Public figures, and that errors were likely to be genuine mistakes, which had statutory overrides in place.
- There was a time period to close the accounts for the Pension fund, which used monthly actual figures to make the estimates. There was always a risk when making investment overviews earlier in the year, and there were other unknown issues for investment funds. Valuations would also likely be incorrect until the Brexit decision was finalised and would be looked at again later in the year.
- Property valuation work was done in-house and established figures based on the total value of assets, which were checked by the auditors.

The Audit and Governance Committee noted the External Audit Plan for the year ending 31 March 2019.

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EXTERNAL AUDITORS CERTIFICATION WORK

The Chief Finance Officer referred to the KPMG letter regarding the report of factual findings for Exeter City Council Pooling of Housing Capital Receipts 2017-2018, for the year ending 31 March 2018. He confirmed that no exceptions or errors had been identified and that there had been no returns made to Central Government

The Audit and Governance Committee noted report of factual findings for Exeter City Council Pooling of Housing Capital Receipts 2017-2018.

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ISA 240 2018/19 LETTER

Geraldine Daly, Engagement Lead, of Grant Thornton presented the ISA 240 letter for 2018/19, which established an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation.

The external auditors were required to make inquiries of both management and those charged with governance for any knowledge of actual, suspected or alleged fraud, the letter being a formal request to the Audit and Governance Committee to respond to. Questions and comments should be provided to the Chair of the Audit and Governance Committee, who would respond, by 30 April 2019.

The Audit and Governance Committee noted the ISA 240 letter for 2018/19.

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ANNUAL INTERNAL AUDIT PLAN

The Audit Manager (HP) presented the annual Internal Audit plan report for 2019/20, which required Member approval. The report had been taken as read by Members, but she highlighted the proposed areas of work for the 2019/20 year. The report also provided assurance that appropriate risk assessments had been carried out whilst formulating the plan.

Members were informed that the format for the Audit Plan had been amended, which the Members of the Audit and Governance Committee welcomed.

RESOLVED that the Audit and Governance Committee approve the annual Internal Audit Plan for 2019/20.

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INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (HP) presented the report which provided a review of the internal audit work carried out during the period 1st October to 31st December 2018, advised on the Audit Plan progress and any emerging issues requiring Members' consideration. Members were informed that that the agreed actions from previous audit reports were being progressed and that there were no instances of management failing to implement remedial action within a reasonable time.

The audit reports issued during the period had good assurance ratings and there were no significant issues with the audit work that had been undertaken throughout the year. The plan was on target and was considered to be a positive report. Members were informed that the issues identified in Appendix C, were being monitored and actioned accordingly.

In response to a Member's question the Chief Finance Officer explained that the current Finance Management System was over 14 years old. Strata would be implementing a convergence project to align the management systems of Exeter City Council, Teignbridge and East Devon District Councils, into a single, industry standard system. An interim solution would be required for the short term, however it was expected that tenders for a longer term solution would go out within 12 months.

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

INTERNAL AUDIT CHARTER

The Audit Manager (HP) presented the report, which provided Members with a definition of the Internal Audit and explained its function and requirement. The Charter needed to be reviewed and updated every two years to comply with the Public Sector Internal Audit Standard (PSIAS).

Members were informed that the internal audit charter was a formal document which outlined the internal audit activity's purpose, authority and responsibility. It also established the internal audit activity's position within the organisation; authorised relevant access rights and defined the scope of internal audit activities.

The charter had been presented to the Strategic Management Board to comment on. The Audit Manager summarised the main changes that had been made to the Charter which included; clarification over access to premises and document amendment the time within which internal audit final reports would be issued from 15 to 10 working days, from the time responses are received; and where an internal report contained actions for the Chief Finance Officer, a copy of the report being sent to the Chief Executive and Growth Director. She also confirmed that the final approval of the Internal Audit Charter Audit belonged to the Audit and Governance Committee.

RESOLVED that the Audit and Governance Committee approve the updated Internal Audit Charter.

CODE OF CORPORATE GOVERNANCE

The Chief Finance Officer presented the report which set out the proposed Code of Corporate Governance 2019/20, which provided the updated principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016). He explained that the Council was required to prepare and publish an Annual Governance Statement, which would be published in July 2019.

The Chief Finance Officer explained that the statement was reviewed and updated on an annual basis. There were very few changes from the previous version and no significant changes to report.

RECOMMENDED that the Audit and Governance Committee support and Council approve the Code of Corporate Governance for 2019/20.

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.

REVIEW OF CORPORATE GOVERNANCE RISK REGISTER

The Policy Officer presented the Corporate Risk Register report which advised on the Council's risk management progress, which the Audit and Governance Committee were responsible for monitoring and reviewing.

Members were informed that three new risks had been added to the register during the last quarter, and only one risk item was still high, remaining on the register until its full impact could be assessed. One risk score had been reduced in level and another risk had been removed. Members were informed that risks scoring four or below had also now been removed from the register.

The Policy Officer explained to Members, that the risk register was in the process of being examined by the Strategic Management Board, to determine which risks were exempt from disclosure. It was expected that the Corporate Risk Register would be changed to public Part 1 report for the next Audit and Governance Committee meeting in July 2019.

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

- The City Surveyor was satisfied with the fees and arrangements for the Clifton Hill Sports Centre site, and had considered, that it would not need to be added to the Corporate Risk Register. Any undervalue implications would be reported to Executive in accordance with Council policy. Should the extent of any undervalue require approval from the Secretary of State, then consent would also be sought at that time.
- Full Council had passed a resolution, that funding be made for the Riverside Centre. The Chief Finance Officer would consider whether a risk should be included on the Corporate Risk Register of not being able to fund the repairs/improvements to the Riverside Leisure Centre from the capital receipt delivered by the sale of Clifton Hill, if the sale proceeds fell short of the amount committed.
- South West Water were the owners of the culverted watercourses risk, however there was an interpretation issue, of a decision taken in 1974, which had caused further delays. The Chief Finance Officer would speak to the Legal Team to attain more information to feed back at the next Audit and Governance Committee meeting.
- There was an experienced Leisure and Contracts Manager in post, who would hold contracts to account. With the addition of the Procurement team and Legal support, contracts would be more indisputable. The Council was now in a much stronger position and lessons from past mistakes had been learnt.
- The Chief Finance Officer would consult with the Housing General team to provide a response to Members, regarding why only one Sleep Safe Centre had opened for rough sleepers.

The Corporate Manager Democratic & Civic Support explained why a particular question from a Member had been refused by both himself and the Chief Executive & Growth Director. It was considered that the question did not relate to the remit of the Audit and Governance Committee or to an agenda item. He provided an overview of the Committee terms of reference and highlighted that the Audit and Governance Committee could not review decisions already taken by Full Council.

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

(The meeting commenced at 5.30 pm and closed at 6.40 pm)

Chair

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