

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 11 March 2020

Present:-

Councillor Wardle (Chair)

Councillors Atkinson, Foggin, Hannaford, Henson, D, Mrs Henson, Mitchell, M, Pattison, Sheldon and Warwick

Also Present

Chief Finance Officer, Audit Manager (HP) and Democratic Services Officer

7

MINUTES

The minutes of the meeting held on 28 January 2020 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 PLAN 2019/20

Steve Johnson, Audit Manager of Grant Thornton (GT), presented the External Audit Plan for the year ending 31 March 2020, which detailed an overview of the planned scope of the statutory audit and the significant risks that had been identified such as the valuation of land and buildings; valuation of pension fund liability and management override of controls. He also referred to this year's extended audit, which he anticipated would be concluded in the summer and the indicative fees for the financial statements audit of £54,523 on the assumption that the figure could increase following additional audit work. This would be agreed by the Chief Finance Officer and the Audit and Governance Committee.

The Audit Manager (GT) commented on the following:-

- robust contribution made by the Council's finance team and governance of the Council's income which had been set at a medium risk;
- consideration of areas in the accounts which were subject to estimation, judgement and manipulation around journals;
- the Authority's fund net liability which was recognised as an area of great focus for the audit; and
- the potential impact of implementing IFRS16 in relation to the accounting of leases in the accounts.

In response to questions from Members, the Audit Manager (GT) and Chief Finance Officer explained:-

- that despite the assumption that the Pension Fund was robust, Grant Thornton were obliged to carry out an actuarial valuation as external auditors for the City Council, as liability changed from year to year, and rigorous checks on the valuation and liability were needed.
- an external audit by Frances Clark as well as the necessary controls and governance were in place for the Exeter City Living Group. The Group had

been set up as private company and Council had approved the Group's Business Plan. The accounts had been audited to FRS/02 standard and approved by the Group's Board of Directors and presented to their stakeholders. The accounts were available to Members if requested.

- the revalue of the Authority's land and buildings was part of a five yearly rolling programme, and represented a significant estimate by management due to the size of numbers and therefore risk but the value for money assurances were monitored.

The Audit and Governance Committee noted the External Audit Plan for the year ending 31 March 2020.

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ANNUAL AUDIT LETTER 2019/20

The Audit Manager (GT) presented the Annual External Audit Letter 2019/20. He discussed their work which included highlighting the financial statements, the value for money conclusion and certification of claims and returns. He provided a summary of the Annual Audit Letter which was a statutory requirement and outlined the audit work that had taken place between November and February. Grant Thornton proposed to issue a detailed audit plan for completion by July 2020. It was acknowledged that the timescale for completion of the work would be a challenge, but Grant Thornton would continue to communicate their progress with the Audit and Governance Committee.

Following the presentation and sign off of the accounts in January, the only outstanding work was the issue of the Certification Notice. Work on an objection in respect of the Pinhoe Community Hub, reported at the last meeting would be concluded by colleagues David Bray and Peter Barber as soon as possible. In response to a Member's question, Grant Thornton would have up to eight months to conclude the enquiry.

The Audit and Governance Committee noted the External Audit Letter 2019/20.

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AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Audit Manager (GT), presented the Audit progress report and sector update, which provided Members with details of the external auditor's work that had been undertaken as at February 2020. Planning work for the 2019/20 financial statements audit had commenced, and a detailed audit plan outlining the approach had been provided as a separate agenda item. The reporting of the value for money conclusion and the statutory deadline for the issue of the 2019/20 opinion was 31 July 2020. The 2019/20 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, with no significant impact to the final statement. The regular programme report and the level of testing as set out in the report in respect of certification of claims and returns had a good outcome, and the Audit Manager (GT) anticipated being able to sign off the audit within the planned timescale.

Following a discussion, the Chief Finance Officer responded to a Member's comments on the Redmond Review and conclusions, and agreed a future agenda item for Members to discuss. The City Council had made a submission and it was anticipated that some information might be forthcoming by early summer. The Audit Manager (GT) referred to the Audit Letter accompanying the report and summarised the planned fee, which had been set as £44,573 by the Public Sector Audit Appointments Ltd (PSAA) but there were a number of areas where the scope of the

audit had changed, which had led to additional work and an additional sum of £6,950 was detailed in the report.

The Audit and Governance Committee noted the Progress Report and Sector Update, including the detail of the circulated Fee Letter and a report detailing any implications for the City Council from the Redmond Review would be made to a future meeting of this Committee.

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ANNUAL INTERNAL AUDIT PLAN 2020/21

The Audit Manager (HP) presented the annual Internal Audit Plan report for 2020/21, which required Member approval. She highlighted the proposed areas of work, which met the terms of reference of the Audit and Governance Committee and the Internal Audit Charter. The report also provided an assurance that appropriate risk analysis had been used whilst formulating the plan, with feedback received from the Strategic Management Board about their priorities and any specific concerns they might have, as well as feedback for the Chair and Deputy Chair of the Audit and Governance Committee. A copy of the detailed plan was attached as an appendix to the report.

The Audit Manager reported the detail of an external assessment, with the external assessor concluding that "Exeter City Council Internal Audit Team generally conformed to the Public Sector Internal Audit Standards, including the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*." She advised that the wording "generally conforms" was the top rating possible and meant that the Internal Audit Service had a charter, policies and processes that were judged to be in conformance to the Standards.

The Audit Manager (HP) and the Chief Finance Officer responded to Members' questions -

- the high risk rating of the human resources aspect of the authority was not a reflection of performance.
- Audit worked well with an assessment of the system risk for individual services, consulting Directors to identify any areas of concern, and discuss solutions as part of a holistic approach.
- in terms of people management across the Council, staff turnover, morale and impact on the work was an annual audit consideration.
- the suggestion that climate change should be included in the plan had already been highlighted as an area of future work, and the inclusion of this would be discussed with the Council's Senior Management Board.

RESOLVED that the Audit and Governance Committee approve the annual Internal Audit Plan for 2020/21.

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INTERNAL AUDIT PROGRESS REPORT- 3RD QUARTER- 1 OCTOBER TO 31 DECEMBER 2019

The Audit Manager (HP) presented the report on the internal audit work carried out during the period 1st October to 31st December 2019, and advised on the overall progress against the Audit Plan. There had been a small impact to deliver the full plan and a number of changes were made and outlined in the report. This included a reduction in the number of audit productive days as staff had attended workshops to support the implementation of the Agile and Flexible Working project. There had been no significant governance issues identified for 2018/19, but measures to improve governance arrangements had been proposed and the implementation of the measures would be monitored. A summary of progress against the Annual Audit

Plan 2019/20 was included at Appendix A, and an action plan of the governance issues identified had been included at Appendix B,

In response to a Member's question, the Audit Manager (HP) and Chief Finance Officer commented on the delays in the delivery of the contract management training plan which would be followed up with the Corporate Procurement Lead.

The Audit and Governance Committee noted the Internal Audit Report for the third quarter of the year 2019/20.

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CODE OF CORPORATE GOVERNANCE 2020/21

The Chief Finance Officer presented the report which set out an overview of the proposed Code of Corporate Governance 2020/21, which provided the updated principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016). The Code was reviewed annually by the Section 151 Officer and supported by the Executive Support Unit and he was pleased to report there were no significant changes to the Code this year. He responded to Members' comments on the setting up of the Council's procurement team, which had been a notable success. They worked within a very rigorous framework and had been particularly challenged with over 88 different Council projects over a variety of Council areas. He would ensure that the approved version of the Code was included on the Council's web site.

RECOMMENDED that the Audit and Governance Committee support and Council approve the Code of Corporate Governance for 2020/21.

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REVIEW AND UPDATE OF WHISTLEBLOWING POLICY

The Audit Manager (HP) presented a report which proposed a revision of the Council's Whistleblowing Policy which needed to be reviewed to ensure that it remained up to date and fit for purpose. The updated Whistleblowing Policy was attached as an appendix dated 2020/21.

The Audit Manager and Chief Finance Officer responded to comments:-

- the policy demonstrated that employees were able to seek support from the policy, and there was an appreciation of the sensitivity around any cases and, although the public concern at work guidance had previously been sent to managers she would circulate again.
- the Whistleblowing Policy had been used, and the Council believed in the policy as a protection of staff, with any concerns noted at an early stage.
- the role of the Audit and Governance Committee was to review the policy rather than that of monitoring.
- the template for the policy was a framework offered by Public Concern at Work, which was part of a charitable body which offered free, confidential advice.

Members discussed the protection offered by the policy and inclusion of Elected Members who, in the policy, were seen as an employee. The Audit Manager suggested that the designation of Members was seen as being in the spirit of the policy. She also sought to reassure Members that any particular concerns would be discussed with the Council's Strategic Management Board.

RECOMMENDED that Council be requested to approve the revised Whistle Blowing Policy dated 2020/21, which was attached to the circulated report, and the Constitution amended accordingly.

CORPORATE RISK REGISTER

The Chief Finance Officer presented the Council's risk management process and the updated Corporate Risk Register, which identified 12 corporate risks which were regularly reviewed. The Audit and Governance Committee was responsible for monitoring and reviewing the Council's risks. The Risk Register included the status of new and current risks during the last quarter, which included an identified risk in relation to leadership capacity. Exeter City Council was an ambitious Council which carried out a wide range of services and offered over and above that of other similar Councils. Climate change had also been emerging as a significant challenge for all.

One new inclusion was that of the emerging Coronavirus 19 pandemic and urgent work was being undertaken, including meetings on a daily basis by the Council's Strategic Management Board and Service Leads. They have been discussing the best guidance from Public Health England and effect on services and staff which would be varied by the wide range of Council services. Officers had been updating the Council's Business Continuity Plan to ensure best delivery of services against what may occur in the next few weeks and months. Every effort would be made to keep services running as normal.

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

- there was an acknowledgement that in the local economy there were significant risks and he referred to the example of the recent economic disruption with the closure of FlyBe and the impact on the 2,000 former employees;
- as outlined in the Budget, a policy decision was awaited in terms of the Government's reimbursement of business rates and reimbursed Section 31 payments.

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

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

Chair