

## **AUDIT AND GOVERNANCE COMMITTEE**

Tuesday 28 January 2020

### **Present:-**

Councillor Wardle (Chair)  
Councillors Atkinson, Foggin, Henson, D, Mrs Henson, Mitchell, M, Pattison, Sheldon and Warwick

### **Also Present**

Chief Finance Officer, Deputy Chief Finance Officer and Democratic Services Officer (SLS)

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### **APOLOGIES**

Apologies were received from Councillor Hannaford.

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### **MINUTES**

The minutes of the meeting held on 4 December 2019 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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### **AUDIT FINDINGS REPORT (ISA 260)**

Peter Barber, Engagement Lead and David Bray, Engagement Manager, Grant Thornton presented the ISA 260 2018/19 findings reports. The Engagement Lead confirmed that following a change in personnel, he had been appointed to complete the audit at Exeter City Council. The interim findings report had been presented to Members at the September meeting of the Committee. The summary of the work now completed by Grant Thornton, included the audit of the financial statements and the value for money conclusion. The Engagement Lead thanked the Chief Finance Officer and his team for their support during the audit, which had taken longer than planned due to resourcing issues within their audit team.

It was confirmed that the audit of the Council's financial statements for the year ending 31 March 2019, had been completed with an unqualified opinion. There were three material differences to the accounts which related to short term investments, the operating lease disclosure and the comparatives for short and long term borrowing in the draft financial statements, which were agreed with management and corrected in the financial statements.

The Engagement Lead also confirmed that Exeter City Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources and had issued an unqualified opinion. Some additional work had been undertaken under the Local Audit and Actuality Act (2014) as a member of the public had indicated their concern about the governance arrangements in relation to grant monies paid to a community organisation in 2018/19. This would not materially impact on the financial statement or the value for money conclusion,

although it was not possible to conclude the audit and issue an audit certificate until consideration of the objection had been completed. The Engagement Lead confirmed that he would continue to work on this matter with the objector and officers of the City Council and it was clearly desirable to reach a resolution as quickly as possible. He also responded to a Member who had suggested that this may conflict with the Local Government Ombudsman (LGO) remit, and confirmed that they did not direct them, and he reminded the Member of the Council's own complaints process. The Chief Finance Officer reminded Members that the Council had made changes to the grant provision in February 2019, when some grants were changed into contracts, and this had enhanced the governance process. The request for funding, together with a Business Plan for an award to a community organisation was taken to Committee and Council as part of the New Homes Bonus (NHB) arrangements as opposed to the traditional grants award process.

In response to questions from Members, the Engagement Lead and the Chief Finance Officer responded in the following terms:-

- a reference in the narrative of the key findings citing scope and flexibility for the funding of the Leisure Complex was included as part of the normal cyclical capital planning. The Chief Finance Officer added that the Council had expected £18 million from the New Homes Bonus, but Central Government have indicated that this would end, and there may be a shortfall of the sum identified for this project.
- the arm's length development company Exeter City Group Limited, were audited separately by Chartered Accountants Francis Clark. The Council prepares Group financial statements that consolidates the financial information of the company with the City Council's accounts.
- Executive had agreed a loan to Exeter Science Park to be repaid by 2023/24 and it was anticipated that this would be repaid. The City Council had also acted as a guarantor for the Park, in respect of a new lease arrangement.
- the Engagement Lead also wished to draw Members' attention to a number of audit adjustments and in particular, that Disclosure Note 16 originally understated the value of assets revalued in 2018/19 as it did not reflect the additional revaluations undertaken outside of the five year rolling programme. The Note was amended to increase the value of assets revalued from £25m to £49.5m.

The Engagement Lead, in presenting the fees for the audit confirmed that it had been a very challenging year for Grant Thornton, particularly in relation to the recruitment of the appropriate staff with the right skills set. He explained that a number of issues had caused a delay in the timetable work plan, and included an increase in the level of asset valuation and pension work, along with the Group and Leisure Complex accounts. A report by the Public Sector Accounts (PSA) had indicated that over 240 Councils had not completed their audits within the original timeframe. Although they were already behind in their planning for the 2019/20 audit, every effort would be made to ensure good progress. He would discuss this matter with his successor so that assurances could be given that this work would be done within required timeframes. He also highlighted a request for additional fees that they intended to charge, which would be subject to PSA approval.

The Audit and Governance Committee noted the report on Audit Findings from the Exeter City Council (External Auditor), Grant Thornton.

**STATEMENT OF ACCOUNTS 2018/19**

The Chief Finance Officer presented the report on the Council's Statement of Accounts for 2018/19 for approval and adoption. This was a statutory requirement to publish the Statement of Accounts to offer a 'true and fair view' of the financial position and transactions of the Council as at 31 March 2019. He reported that due to a peak period of work in June and July, and additional work which was now required, Grant Thornton, as the Council's external auditors, had been unable to conclude the update by 31 July. It was however, anticipated that Grant Thornton, would be able to issue an unqualified audit opinion on the Authority's financial statements. A notice had been placed on the Council's web site, which confirmed that Grant Thornton had taken full responsibility for the delay in the audit of the Council's accounts.

The Chief Finance Officer discussed the key audit findings, highlighting material mis-statements, audit adjustments and presentational issues, which would not impact the General Fund balance or the Housing Revenue Account balance, which remained as reported to Council on 23 July 2019. He also responded to a Member's comment on the level of pay of senior officers. Apart from the annual pay, pension benefits and redundancy pay as appropriate were also included in the Disclosure Note and this sometimes made the anonymous table look unusual in terms of changes in the number of people included in each band.

The Chair expressed his thanks to the finance team for their support towards the Auditors in the production of the Final Accounts, whilst also producing the Council's draft budget for 2020/21.

**RESOLVED** that the Audit and Governance Committee approve the audited Statement of Accounts for 2018/19 and requested that it be signed by the Chief Finance Officer and the Chair of the Audit and Governance Committee for forwarding to the External Auditor, Grant Thornton.

**MANAGEMENT REPRESENTATION LETTER**

The Chief Finance Officer submitted the letter to the External Auditor, Grant Thornton in respect of the 2018/19 Statement of Accounts as required by audit.

**RESOLVED** that the Audit and Governance Committee approve the letter, and request that it be signed by the Chief Finance Officer and the Chair of the Audit and Governance Committee for forwarding to the External Auditor, Grant Thornton.

(The meeting commenced at 5.20 pm and closed at 7.05 pm)

Chair