

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 12 February 2025

Present:

Councillors Jobson, Begley, Knott, Miller-Boam, Mitchell, M, Moore and Williams, M

Also Present:

Chief Executive, Strategic Director for Corporate Resources, Head of Service - Finance, Head of Legal and Democratic Services & Monitoring Officer and Democratic Services Officer (LS)

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APOLOGIES

Apologies were received from Councillors and Wardle, Atkinson, Ketchin, Patrick and Palmer.

The Committee noted their condolences to the Chair, Councillor Wardle.

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MINUTES

The minutes of the meeting held 27 November 2024 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 FOR EXETER CITY COUNCIL 2023/24

The Director, Public Sector Audit of Grant Thornton presented the Audit Findings Report for 2023/24 making the following points:

- it was intended to issue an opinion by the end of February;
- the opinion issued would be an unqualified one;
- there were some areas of work ongoing but this was a small number as most work had been concluded;
- there had been work on significant risks including management override, land, buildings and pension liabilities; and
- some recommendations had been made but these were not material and would not affect the opinion.

The Director, Public Sector Audit of Grant Thornton and Strategic Director for Corporate Resources responded to questions from Members' in the following terms:

- that there were 10 super-users and whilst this was not unusually high some had finance roles therefore segregation of duty potentially could be an issue;
- the solution would be to have no instances of those with a finance role being a super-user;
- it was for officers to assess whether this posed an acceptable level of risk;
- the pensions adjustment would be updated but was not material;
- value of land and buildings was potentially not market value but replacement cost value and independent valuations would be made upon any disposal;

- housing stock would be allocated a value for similar properties in the area following spot checks;
- MRP showed charge on third party loans and there was a policy based on the annuity rates which would see charges increase in later years therefore this was an expected increase;
- MRP increase reflected the end of 2022/23 position with less interest and more repayment as voluntary repayment of debt was utilised to reduce the balance and 2024/25 capital finance requirement reduced due to ECL write-off; and
- officers were informed annually of the need to declare any interests they may have.

The Audit and Governance committee unanimously received and considered the Audit Findings Report for Exeter City Council 2023/24.

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AUDITOR'S ANNUAL REPORT ON EXETER CITY COUNCIL 2023/24

The Director, Public Sector Audit of Grant Thornton presented the Auditor's Annual Report on Exeter City Council 2023/24 making the following points:

- that there were three key areas, being Financial Sustainability, Governance and Improving economy, efficiency and effectiveness as set out on page 56 of the agenda pack;
- there were no significant weaknesses in arrangements to ensure the Council managed risk to its financial sustainability;
- there were significant weaknesses in Governance with ECL and contract monitoring identified;
- there was a significant weakness in Improving economy, efficiency and effectiveness but that work had begun on this;
- the key recommendations could be seen on pages 58 to 60, 2 of which had been reported in previous years;
- with regards to recommendation 4, there was evidence that discussion had taken place but were not reflected in the final contract;
- recommendation 5 was in reference to procurement issues where payments has been made but a contract was not in place; and
- there was an improvement recommendation on page 82 in relation to the level of savings and the management comment regarding risk to services could also be seen.

The Strategic Director for Corporate Resources spoke on the report making the following points:

- counter-fraud would be handled by SWAP and this had begun on 1 April 2024;
- counter-fraud information could now be found on the website but SWAP collect statistics, monitor and investigate;
- the issue had been that the outsourcing of audit had taken place with no lead immediately identified within the Council for counter-fraud;
- the Head of Service, Finance was now the lead for counter-fraud strategy, coordinating and communicating any responses as required which would be reflected in the next audit plan; and
- there was a procurement waivers report in the Scrutiny Bulletin but this would in future be presented to the Audit and Governance Committee.

The Strategic Director for Corporate Resources and the Director, Public Sector Audit, of Grant Thornton responded to Members' questions in the following terms:

- the counter-fraud strategy was up to date and would be reviewed every two years although this may be undertaken sooner to reflect the changes within SWAP;
- the constitution review would include looking at independent people on Audit and Governance Committee;
- partnerships were not defined in audit terms but would be expected to include but not be limited to group companies, other Local Authorities, the NHS and Sport England;
- audit would only look at partnerships should they be challenged and look to test whether the Council could explain them;
- a procurement report would now be presented to the Audit and Governance committee; and
- arrangements would be made and training given.

The Audit and Governance Committee noted the Auditor's Annual Report 2023/24 following a unanimous vote.

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AUDITOR'S ANNUAL REPORT - VALUE FOR MONEY

The Strategic Director for Corporate Resources presented the report making the following points:

- that this was the Council's response to the recommendations made by Grant Thornton held within their report;
- the recommendation was for agreement to bring a six-monthly report to the Audit and Governance Committee; and
- historically the Council had delivered 80% of savings which had this been implemented would have meant £4.2 million of savings needed rather than £3.5 million as seen.

The Strategic Director for Corporate Resources responded to a question from a Member stating that the year of recommendations referred to could be identified in future and that the Business Centre review would look at all options and consider whether its intention when set up had been met.

Councillor Moore proposed an addition to the recommendations which following discussion was deemed unnecessary and withdrawn.

The Chair, seconded by Councillor Mitchell, moved the recommendations as set out in the report and following a unanimous vote were **CARRIED**.

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MANAGEMENT LETTER OF REPRESENTATION

The Strategic Director for Corporate Resources presented the Management Letter of Representation explaining that this was a standard letter to the external auditor from the Council. The Strategic Director for Corporate Resources directed Members to an additional line which had been added regarding asset transfer in relation to Exeter City Living.

The Audit and Governance Committee agreed to approve and sign the Management Letter of Representation 2023/24.

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FINAL STATEMENT OF ACCOUNTS

The Head of Service, Finance presented the report on the Final Statement of Accounts making the following points:

- that the findings set out in the report mirror the findings as set out in the earlier external Audit Findings Report;
- that there were minor changes to the disclosure reports but no changes to the accounts; and
- that delegated powers were sought in the recommendation as set out in the report.

The Head of Service, Finance, Strategic Director for Corporate Resources and Chief Executive responded to Members' questions in the following terms:

- £18 million was borrowed against St Sidwell's Point and the New Homes Bonus had been set aside to repay debt and a larger loan had been taken at a lower interest rate. This included Riverside and had a reducing balance;
- the update on page 126 in relation to the Live and Move Programme was expanded to better explain progress with a new Wonford Community and Learning Centre;
- the change in the number of staff in some pay bands was due to incremental pay increases resulting from the annual pay award; and
- Sport England grants formed part of the Council's accounts therefore were audited by Grant Thornton.

The Chair moved the recommendation, which was seconded by Councillor Knott, voted upon and CARRIED unanimously.

RESOLVED that the Audit and Governance Committee give delegated powers to the Strategic Director Corporate Resources and Chair of Audit and Governance Committee to approve the Statement of Accounts for 2023/24 upon the conclusion of the audit and to report back to this committee any significant findings, if any are identified in the remainder of the audit.

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MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT - OPEN CONSULTATION: STRENGTHENING THE STANDARDS AND CONDUCT FRAMEWORK FOR LOCAL AUTHORITIES IN ENGLAND

The Monitoring Officer presented the report and brought Members' attention to the consultation which ended on 26 February 2025 and encouraged Members to take part and make representations as they saw fit.

The Monitoring Officer responded to Members' question in the following terms:

- Members' could respond individually or collectively;
- Officers could also respond individually or collectively; and
- the Council's constitution could be looked at in light of the consultation but changes could not be implemented until legislation was in place.

Councillor Moore suggested that the committee may wish to respond as a whole but upon discussion it was not deemed that there was sufficient time to do so.

The Audit and Governance committee noted the report.

(The meeting commenced at 5.30 pm and closed at 6.49 pm)

Chair