

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 25 June 2014

### Present:-

Councillor Sheldon (Chair)  
Councillors Baldwin, Laws, Lyons, Morris and Williams

### Also Present

Deputy Chief Executive, Audit Manager (HP), Technical Accounting Manager, Policy Officer (LB), Scrutiny Programme Officer and Democratic Services Officer (Committees) (SLS)

David Bray - Senior Manager Assurance, Grant Thornton  
Geraldine Daly - Engagement Lead for Grant Thornton

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### **MINUTES**

The minutes of the meeting held on 12 March 2014 were taken as read and signed by the Chair as correct.

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### **DECLARATIONS OF INTEREST**

No declarations of discloseable pecuniary interest were made.

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### **ANNUAL SCRUTINY REPORT 2013/14**

The Scrutiny Programme Officer presented the report updating the progress and work of scrutiny in relation to the Audit and Governance Committee which monitored performance against the internal audit plan, reviewed any revisions to the plan and considered any issues arising from the half yearly audit report. The Committee also monitored the Council's regulatory framework including the effective development and operation of risk management and corporate governance. The Scrutiny Programme Officer also referred to the success of the task and finish groups in raising the profile of scrutiny and the degree of transparency at the City Council. The Annual Scrutiny Work Programme meeting was due to take place on 14 July, which would allow Members the opportunity to examine the existing work schedule, review the task and finish groups and prioritise any new task and finish groups as well as receiving nominations for agreed groups for the following year.

A Member having been involved from the beginning of the process, welcomed the report and direction that scrutiny was taking at the Council. She hoped that every Member would continue to participate to some degree. The Scrutiny Programme Officer responded to the positive comments made on the recent scrutiny training provided, which 16 Members had attended. There were no current plans to repeat this annual training, although, if any Member had a question or had identified a further training requirement, they should contact her to discuss. The South West Scrutiny Network was due to meet shortly and the City Council now had a presence on this network. She had also responded to a comment on the progress made by the Cost of Living Forum Group and envisaged that a research report should be available by the end of July. The work would be reported to the Cost of Living Forum meeting on 15 September.

The Audit and Governance Committee -

- (1) supported the report and were content with the progress and direction of Scrutiny over the past year, together with the proposals on direction for the forthcoming year; and
- (2) approved the Annual Scrutiny Report for inclusion on the Council's web site.

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### **PRESENTATION ON THE SCOPE OF THE AUDIT AND GOVERNANCE COMMITTEE**

The Chair welcomed new Members to the Audit and Governance Committee.

The Audit Manager (HP) made a short presentation which outlined the role of internal audit in contributing towards the Council's probity and transparency. A copy of the terms of reference for the Audit and Governance Committee included details of the responsibility for overseeing the internal controls environment had been sent to Members. An invitation was extended to Members to contact the Audit Managers if they required any additional information.

David Bray and Geraldine Daly from the City Council's External Auditors, Grant Thornton, were also present. Geraldine Daly provided a brief overview of the audit regime they worked within, which provided:-

- an opinion on the Council's financial statements
- a value for money (VFM) conclusion;
- data and information to the Audit Commission; and
- a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year; which had been properly prepared in accordance with CIPFA's Code of Practice on Local Authority Accounting.

Geraldine Daly responded to a Member's enquiry of the opportunity to inspect the Authority's accounts and explained the difference to a Freedom of Information request. The inspection of accounts could be made under specific legislation and within a specific time frame. The set process was governed by the Audit Commission, with any approach made directly to Exeter City Council.

Members of the Committee thanked the Audit Managers and Grant Thornton for their informative presentations.

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### **GRANT THORNTON AUDIT PLAN 2013/14/ /AUDIT FEE LETTER 2014/15**

Geraldine Daly presented the detail of the Audit Commission's proposed work programme and scale of fees for 2014/15, to be charged by Grant Thornton for the auditing of the Council's services and accounts. The fee for 2014/15 had been set by the Audit Commission at £76,283, with no change from the 2013/14 period.

David Bray presented the Audit Plan for the year ended March 2014. He set out the approach adopted by the City Council, in response to the many financial challenges and opportunities now being faced. He outlined the scope of the Local Government Finance Act under which they operated and acknowledged recent changes to the council tax benefit system and also business rates retention. He also focused on the development of the Council business, in terms of financial reporting, legislation and corporate governance, setting out the significant risks associated with the Authority, but these were not unique to Exeter.

The report concluded that there were no internal audit weaknesses. The Council had an ongoing challenge in respect of their journal entry controls and the authorisation regime for journals prior to posting. A plan of action to address this has been identified. Geraldine Daly responded to a Member comment on how other authorities faced the same challenge, stating that the variation related to the reliance on technology and levels of control in place, as well as carrying out spot and sample checks. The Technical Accounting Manager also added that following a restructure of the teams and work review, the resource was now in place for a better authorisation of journals.

The Audit and Governance Committee noted the Audit Plan for the year ended March 2014 and also noted the Fee Letter set for 2014/15.

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#### **AUDIT AND GOVERNANCE COMMITTEE UPDATE**

David Bray presented the Audit and Governance Committee Update report, which included the latest position and progress made for the period until 9 June 2014. The report covered the financial picture, local accountability and further detail on Local Government Governance. He reported that an update on the JS260 report, as well as the 2013/14 Value for Money conclusion, would be made to the September meeting.

He extended an invitation to Members to attend a number of summer workshops offering more information on local authority accounting processes. These workshops were being run by Grant Thornton at a number of locations within the south west, with the nearest one being in Taunton on 16 July. The half day workshops were free of charge.

The Audit and Governance Committee noted the Audit Committee Update and progress as at June 2014.

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#### **CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT 2014/15**

The Technical Accounting Manager presented the report which set out the proposed update Code of Corporate Governance and the Annual Governance Statement that would accompany the Council's Statement of Accounts for 2013/14. The Statement also incorporated the Council's Code of Governance, which was published on the Council's web site.

The Annual Governance Statement would include details of the new management structure and these were set out in Appendix A of the report. The Statement included significant governance issues as set out in Appendix B, and included the proposed management activity and actions. It was considered that the Code of Conduct framework, changes to the Council's senior management structure and introduction of the Audit and Governance Committee would all help to continue to strengthen the Council's governance.

The Audit and Governance Committee supported the report and requested Council to approve the following:-

- (1) updated Code of Corporate Governance for 2014/15;
- (2) Annual Governance Statement being included within the Council's Annual Statement of Accounts for 2013/14.

The report of the Audit Managers was presented and included an opinion on the overall adequacy and effectiveness of the Council's control environment, and a summary of the work undertaken. The report also included an overall assessment of the internal control. It was noted that a self assessment had been conducted to identify the level of conformance with the standards and a summary of the findings were included, along with the results of the quality assurance and improvement programme. The detail was set out in Appendix A. Progress of the 2013/14 Audit Plan was included in Appendix B and a programme of internal work carried out throughout the year was included in Appendix C.

The Audit Manager (HP) provided an update on the recommendations made in their internal audit summary of work completed from the period January to March 2014. A Member commented on an issue relating to the student classification and exemption of council tax in relation to student property. She was concerned that as more specified purpose built student accommodation was being provided, it was likely that other student housing would return to shared and family housing and not be reclassified as non student housing. It was noted there were 2,900 private properties classed as receiving a student exemption and it was not practical to check each property. The exemption was based on a self assessment by the occupants as well as information provided by Exeter and Plymouth Universities, individual landlords and letting agencies. An assessment was made by the council tax team and a decision made on the responses received. A Member was concerned over the sample made and sought clarification on the actual classification process when the end of the student year was reached. The Audit Manager confirmed that there was an expectation that the property would continue as student accommodation and be rolled on from year to year. The Deputy Chief Executive suggested inviting a colleague from council tax to provide further clarification at the next meeting.

A Member also referred to the classification rate in relation to the debtor situation. The Audit Manager stated that they had raised concern over the need to have a coordinated approach to the collection of debt.

The Audit and Governance Committee noted the report and supported approval of the following:-

- (1) Audit report recommendations not accepted by management, as detailed in Appendix C, deemed as an acceptable risk to the Council; and
- (2) External assessment of the Internal Audit Service against the public sector Internal Audit Standards.

### **MEASURING THE EFFECTIVENESS OF THE AUDIT COMMITTEE - SELF ASSESSMENT CHECKLIST**

The Audit Manager (HP) presented a report on measuring the effectiveness of the Audit and Governance Committee. The requirement for an evaluation of the Committee's performance against the responsibilities set out in the terms of reference demonstrated the Council's commitment to improving its governance. A copy of CIPFA's Self Assessment Checklist – 'Measuring the Effectiveness of the Audit Committee' was attached as an appendix to the report, together with a request that it be completed by Members of the Committee. The results would be collated by the Audit Managers and used to identify targets for future improvements and would be reported to the Council in due course. It was considered that, as well

as the current Membership, those Members who sat on the Committee last year should be asked to participate and complete the checklist.

David Bray advised that, if required, they could facilitate one or two sessions to tease out the issues, and this could be completed at the next meeting.

The Audit and Governance Committee noted with assurance that it was operating effectively.

52 **REVIEW OF CORPORATE GOVERNANCE RISK REGISTER**

The report of the Corporate Manager Policy, Communications and Community Engagement included an updated Corporate Risk Register. The Policy Officer (LB) presented the quarterly report which advised the Committee of the Council's proposed, revised risk management arrangements. Risk management was a part of the Corporate Governance arrangements, and the process was embedded throughout the Council. She referred to the two areas at the previous meeting which had been raised with the relevant officers and confirmed that, following additional investigation, a further update would be made to the next meeting. The Assistant Director Environment and the Assistant Director Public Realm would be invited to update Members at the next meeting.

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

53 **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**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 involved the likely disclosure of exempt information as defined in paragraph 3, of Part 1 of Schedule 12A of the Act.

54 **REVIEW OF CORPORATE GOVERNANCE RISK REGISTER (APPENDIX B)**

The Policy Officer presented the report of the Corporate Manager Policy, Communications and Community Engagement which advised the Committee of the changes introduced to the Council's Risk Management policy and procedures. This included an appendix to the report (Appendix B).

The Audit and Governance Committee noted the details contained in Appendix B.

(The meeting commenced at 5.30 pm and closed at 6.55 pm)

Chair