

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 2 December 2015

### **Present:-**

Councillor Vizard (Chair)  
Councillors Laws, Baldwin, Buswell, Harvey, Henson, Lyons, Sheldon, Thompson and Williams

### **Apologies:-**

Councillor Raybould

### **Also Present**

Deputy Chief Executive, Assistant Director Finance, Audit Manager (HK) and Democratic Services Officer (Committees) (SLS)

David Bray - Senior Manager, Grant Thornton  
Geraldine Daley - Engagement Lead, ECC Grant Thornton  
Victoria Redler - Executive Audit, Grant Thornton  
Darren Gilbert - Director, KPMG  
Tara Westcott - Senior Manager, KPMG

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### **MINUTES**

The minutes of the meeting held on 23 September 2014 were taken as read and signed by the Chair as correct.

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### **DECLARATION OF INTERESTS**

No declarations of discloseable pecuniary interest were made.

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

The Council's external auditors, Grant Thornton, circulated a progress report which provided Members with an updated position of the progress made by them to deliver their responsibility as the City Council's auditor.

The Senior Manager presented the report which confirmed that they had issued an unqualified audit opinion on the Council's financial assessments, for the year ended 31 March 2015, ahead of the national deadline of 30 September 2015. Grant Thornton had also made the necessary submission to the National Audit Office regarding the Whole of the Government Accounts, ahead of the national deadline of 2 October 2015. He assured the Members that there were well established protocols to ensure a seamless transition and handover to KPMG as the City Council's incoming external auditor, and also thanked the City Council's finance team for their professionalism and assistance during their tenure.

The Senior Manager confirmed that he had left a copy of four publications, published by Grant Thornton and aimed at supporting the work of the local authority. The booklets were also available on their web site and would be made available in the Members' Room. It was noted that Exeter had been included in a case study for the 'Making Devolution Work' publication.

The Audit and Governance Committee noted the report.

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### **ANNUAL AUDIT LETTER 2014/2015**

The Engagement Lead, from Grant Thornton presented the Council's Annual Audit Letter, which was a statutory requirement and provided a summary and judgement of the key findings arising from the work carried out for the City Council in 2014/15. She updated the Committee and confirmed that the Annual Audit Letter included an audit of the financial statements, the value for money conclusion and provided an update in relation to the certification of housing benefit grant claims where the error, estimated to be valued at £85,000 had actually been reduced to £10,812. She was pleased to report that the Management Team had responded positively to the report and would be working closely to ensure there was an improved position in 2015/16.

The certification letter had also been completed and complied with the statutory deadlines. The audit fee for 2014/15 was £77,183, excluding VAT, in line with the planned fee for the year. However, an additional fee was being sought in respect of the extra work for the housing benefit grant certification. The fee had yet to be agreed by the Audit Commission's successor body, Public Sector Audit Appointments Limited. Once agreed, an update on the final fees for the year would be submitted to the Audit and Governance Committee.

The Audit and Governance Committee received the Annual Audit Letter.

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### **2014/15 CERTIFICATION REPORT**

The Engagement Lead from Grant Thornton presented details of the certification work for 2014/15, which covered their work on the Housing Benefit Subsidy return. The certification fee reflected the amount of work required by the auditor to certify the claims and returns in that year. The indicative fee was set by the former Audit Commission at £10,890, but it was noted that additional testing had been required. A fee variation request would be submitted to Public Sector Audit Appointments Ltd as mentioned above.

The Audit and Governance Committee noted the report.

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### **GRANT THORNTON**

The Assistant Director Finance wished to place on record the City Council's appreciation of Grant Thornton's dedicated professionalism and detailed work by the team, over the last eight years.

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### **INTERNAL AUDIT PROGRESS REPORT**

The report of the Audit Managers was submitted which advised of the internal audit work carried out during the period 1 July to 30 September 2015, together with the current status of each area of the annual Audit Plan for review and the outcomes of the review, where completed. It was noted that a summary of the progress made against the annual Audit Plan showed that it was on target. There were also no instances where recommendations were not accepted by management or of management accepting a recommendation which was not subsequently implemented within a reasonable timescale.

The Audit Manager (HK) provided an update on the issues progress report and confirmed that a programme to enable the roll out of information for all staff to complete Counter Fraud training as a mandatory requirement would take place by

December 2015. She also referred to the internal audit work completed in the stated period and confirmed that four out of the five audit categories had achieved the assurance rating of good or excellent. She responded to a Member's question relating to the poor level of compliance with the trade waste transfer note system. The Audit Manager stated this was a process governed by legislation and was a requirement as part of the Waste (England and Wales) Regulation 2011. It was not possible to make a collection without a valid completed waste transfer note, and there had been a poor response to the notes being returned or completed in full, which was being addressed.

The Audit and Governance Committee noted the internal Audit Progress Report for the second quarter of the year 2015/16.

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#### **PRESENTATION FROM KPMG**

The Director of the Council's new external auditors KPMG attended and made a short presentation and outlined the new power for local authorities to appoint their external auditor from the 2018/19 financial year onwards. He discussed the different approach needed, and the elements Exeter City Council should be considering, including quality, experience and organisational fit, as well as compliance with some specific requirements in the procurement process.

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#### **PROGRESS REPORT AND TECHNICAL UPDATE KPMG**

The Director and Senior Manager of the Council's new external auditors KPMG provided Members with details of how they would deliver their responsibility as the City Council's auditor. They had been working closely with Grant Thornton to ensure the transitional period would be seamless and they had already met with the Assistant Director Finance at the City Council and his team. The Senior Manager confirmed that KPMG would present their Audit Plan for 2015/16 at the Audit and Governance Committee meeting in March 2016, and outlined their audit strategy and planned approach which would identify the areas of audit focus. A full timetable of their 2015/16 audit deliverables was included in the report.

The Assistant Director Finance responded to a Member's question on the retention of the business rate, which was subject to a period of consultation in 2016.

The Audit and Governance Committee noted the report.

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#### **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - 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 involved the likely disclosure of exempt information as defined in paragraph 3, of Part 1 of Schedule 12A of the Act.

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#### **REVIEW OF CORPORATE GOVERNANCE RISK REGISTER**

The Deputy Chief Executive presented the report which advised the Committee of the Council's risk management progress, and included details of the updated Corporate Risk Register, as part of the Council's corporate governance arrangements. The report also advised the Committee of the changes introduced to the Council's Risk Management policy and procedures which was included, as an appendix to the report.

The Deputy Chief Executive responded to Members' comments on a number of assessed ratings on the Risk Register. He would pass on a request for an update on the current position of the flood alleviation scheme to be considered at a future meeting of Scrutiny Committee – Community. He also agreed to obtain a written response in response to a Member's enquiry for information in relation to the Bus and Coach site.

The Audit and Governance Committee noted the report.

(The meeting commenced at 5.30 pm and closed at 6.25 pm)

Chair