

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 20 September 2017

Present:-

Councillor Natalie Vizard (Chair)
Councillors Wood, Baldwin, Harvey, Mrs Henson, Lamb, Musgrave, Sheldon and Warwick

Also Present

Chief Executive & Growth Director, Chief Finance Officer, Technical Accounting Manager and Audit Manager (HP)

21 **APOLOGIES**

Apologies were received from Councillor Keen.

22 **MINUTES**

The minutes of the meeting held 21 June 2017 were taken as read and signed by the Chair as correct.

23 **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

24 **EXTERNAL AUDIT REPORT 2016/17 (ISA 260)**

Darren Gilbert, Director and Rob Andrews, Audit Manager, KPMG, presented the Governance ISA 260 2016/17 findings. Darren Gilbert summarised the work completed by Exeter City Council and that it had identified three audit adjustments with a total net value of £327,000.

Rob Andrews explained that Exeter City Council had proper arrangements in place to secure value for money, except for its arrangements for procuring supplies and services effectively to support the delivery of strategic priorities, but reported that progress had been made since the 2015/16 audit. He highlighted the control environment was effective but it had not tested the controls relating to procurement, payroll and journals and therefore did not rely on these controls during their testing.

He discussed the significant audit risks from the external Audit Plan 2016/17 and highlighted the risks to the change in the pension liability due to the Local Government Pension Scheme Triennial Valuation and valuation of property plant and equipment. He noted the discount rate in the final pension scheme would need to be discussed in the future.

Members were made aware of the key issues and recommendations, which highlighted that the payroll issue had not been resolved, the procurement process was ongoing, the journals process required amounts over £5,000 would need to have separate approval prior to posting and that the provision for outstanding debt would need to be reviewed before the end of the financial year. He confirmed that KPMG would be issuing their completion certificate and Annual Audit letter in November 2017.

In response to questions from Members, Darren Gilbert, Rob Andrews and the Chief Finance Officer responded:-

- Getting the correct balance for barriers correct was dependent on several factors including timings. The action plan and contracts would need to be in place along with new contract arrangements. The findings for this year were smaller than last year;
- The Local Authority pension liability in previous years had been lower at 75%, but was now at 83%. Local Authorities had been stuck at the same level for some time, with a 25 year plan setup to the raise pension fund, which was reviewed regularly with no clear end date. The Local Government Pension Scheme received 16% contributions of pensionable pay;
- Debts were dependant on when they could be paid off and were regularly reviewed. There were provisions in place, but it that did not mean debts couldn't be collected;
- A procurement steering group had been setup and Council had approved staffing. The job evaluation process had been completed but the results showed that the market rate was lower than expected, and the senior strategic lead would need to be appealed. The current interim procurement officer was leaving at the end of September, but interviews were being planned to get the posts filled.

The Audit and Governance Committee noted the report on Audit Findings for Exeter City Council (External Auditor).

25

FINAL STATEMENT OF ACCOUNTS 2016/17

The Technical Accounting Manager presented the report with the Council's final 2016/17 Statement of Accounts for approval and adoption. She explained that it was a statutory requirement to publish the audited Statement of Accounts by 30 September 2017. The external auditors were expected to issue an unqualified opinion, which meant they were satisfied that the Statement of Accounts provide a true and fair view of the financial position and transactions of the Council for the year ended 31 March 2017.

Members were advised that the report set out the key findings of the audit of the accounts, which had resulted in only a few amendments. The draft accounts had been issued on 25th May, which was a month ahead of the statutory deadline and placed the Council in a good position for next year's earlier deadlines.

In response to a Members question, the Technical Accounting Manager explained that the Narrative Report was a forward looking plan for major schemes and was published alongside the Statement of Accounts.

The Chair expressed her thanks and appreciation to finance the team for their work on the production of the Final Accounts.

RESOLVED that the Audit and Governance Committee approve the Final Statement of Accounts for 2016/17 for the City Council.

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MANAGEMENT REPRESENTATION LETTER TO EXTERNAL AUDITOR FOR 2016/17 STATEMENT OF ACCOUNTS

The Chief Finance Officer submitted the letter to the External Auditor, KPMG in respect of the 2016/17 Statement of Accounts. It was an audit requirement to produce the letter.

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, KPMG.

27

INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (HP) presented the report on the internal audit work carried out during the period of 1st April to 30th June 2017 and advised Members of the overall progress against the he Audit Plan and to report any emerging issues requiring consideration. She advised Members that one of the roles of the Audit and Governance Committee was to review the quarterly internal audit reports, address the main issues arising and seek assurance from management that action has been taken.

She commented on the issues for consideration, which at the time of writing, there were no instances of management failing to agree remedial action or actions outstanding for an unreasonable length of time during this quarter. She highlighted that she was still waiting for responses to the counter fraud report which had been outstanding since February 2017.

Members were advised on the progress of the audit plan 2017/18, which, the work against the plan may need to be adjusted due to staff sickness. Members would be provided with an update once the audit team had a clearer indication of the lost time. Members were also provided with an overview of the internal audit completed work this quarter.

The Audit Manager (HP) discussed the significant governance issues progress report and the issues to be addressed in 2017/18.

There had been no updates on the Medium term financial plan, which was not linked to the corporate priorities, work program, issues for the delivery for the capital programme because of the skills gaps in procurement and contract regulations had been redrafted but were still awaiting publication.

In response to questions from the Members, the Audit Manager (HP) responded that as in previous years, the plan had been developed on a risk based format, which incorporated the risk register and, views of Managers and Chairs. It was approved in March and was comparable to previous years.

The Audit and Governance Committee noted the Internal Audit Progress Report for the first quarter of the year 2017/18.

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REVIEW OF THE CORPORATE GOVERNANCE RISK REGISTER

The Chief Finance Officer presented the report which advised Members of the Council's risk management progress and the updated Corporate Risk Register, which the Audit and Governance Committee is responsible for monitoring and reviewing the Councils risks and reporting all new and updated risks to the Corporate Manager (Executive Support).

He informed Members that one new risk had been added to the register for Topshop Lock, which required work to the sheet piling following a survey by Devon County Council. The cost could be £500,000, for which a bid has been submitted,

but should the canal breach, the cost of repairs would cost in excess of £1m. Urgent action was taking place, with £100,000 set aside and were waiting for quotation on the concrete filling and work would progress as soon as possible, which may mitigate against the need to spend a further £500,000.

In response to Members' questions, the Chief Finance Officer clarified that

- Lock repairs were required to iron works installed 25 years ago, and now following a review, there was an urgent need to make repairs;
- South West Water were looking to reclassify some of their sewers to become culverted watercourses, with the responsibility and maintenance cost to be covered by landowners which would include homeowners and the Council;
- There were new requirements for the Councils information management, in which if it was not accessed correctly, it would impact on reputation with PSN, however no incident had occurred so it was not specific;
- Public liability insurance covered issues where the Council had been negligent
- The likely income from the leisure centre was based on an assessment, which took into account for alternative provision and sensitivity analyses for tenders would be monitored;
- He would provide the Chair a date for the next South West Water meeting once it had been re-scheduled;
- It was good practice to ensure all dates that fall into the same month as an Audit and Governance meeting have a detailed outcome. He would ensure that the register was updated to ensure its accuracy. The Chief Executive & Growth Director confirmed that this had been discussed with the new Directors.

The Audit and Governance Committee noted the Corporate Risk Register.

(The meeting commenced at 5.30 pm and closed at 6.15 pm)

Chair