

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 14 March 2018

### **Present:-**

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

### **Also Present**

Chief Finance Officer, Corporate Manager Democratic and Civic Support, Audit Manager (HP), Policy Officer and Democratic Services Officer

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### **APOLOGIES**

Apologies were received from Councillor Keen.

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### **MINUTES**

The minutes of the meeting held on the 06 December 2017 were taken and signed by the Chair as correct, subject to the following amendment:-

- Minute 33 – the Chief Finance Officer would seek legal advice to determine if the Council Officer, serving as Director of the Monkerton Heating Company at the request of the Council, would constitute a conflict of interest, giving rise to a challenge against the Council or officer.

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### **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interest were made.

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### **MEMBER QUESTION**

A Member raised a query regarding the admissibility of a number of questions he had submitted.

The Corporate Manager Democratic & Civic Support stated that, as the Committee was not a Scrutiny Committee, it could not receive questions in the same way as Scrutiny and that Member questions must relate to items on the agenda. In regards to the specific question raised on finance, it was recommended that this be submitted to the Corporate Services Scrutiny Committee.

It was also suggested that the information requested by the Member in relation to the finances concerned, was contained in the confidential report of the Chief Executive and Growth Director, presented to the Executive on 13 February 2018.

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### **TECHNICAL UPDATE - EXTERNAL AUDIT PROGRESS REPORT AND REPORT ON GRANTS AND RETURNS**

Rob Andrews, Audit Manager from KPMG presented the progress report which provided Members with an updated position with regards to the delivery of their

responsibility as the Council's external auditor. The report highlighted the main technical issues which were currently impacting local government.

He also provided a summary of the work undertaken by KPMG on the Council's 2016/17 grant claims and returns, explaining that the report included work completed under the Public Sector Audit Appointment certification arrangements and work completed on other grants/returns under separate engagement terms. Members were advised that there were no recommendations to the Council.

The Audit and Governance Committee noted the report.

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### **EXTERNAL AUDITORS AUDIT PLAN 2017/18**

Rob Andrews, Audit Manager from KPMG presented the report which supplemented the Audit Fee Letter 2017/18, which was presented to the Audit and Governance Committee in April 2017, detailed KPMG's appointment by the Public Sector Audit Appointments Ltd (PSAA).

He provided a summary of the financial statements explaining that there had been no change to the Code of Practice on Local Authority Accounting. He discussed the materiality for planning purposes which had been set at £1.9 million, and the uncorrected omissions or misstatements set at £0.095 million. The delivery of budgets and procurement under the value for money at the Council highlighted that in the last two years work had been undertaken to address procurement arrangements at Exeter City Council and the need to strengthen them in the Annual Governance Statement. Significant risks were also discussed which included the valuation of PPE, pension liabilities, faster close and management override controls.

In response to Members' questions, the Chief Finance Officer explained that:-

- There has always been one in-house procurement officer in post and currently there is an interim procurement officer in housing, despite the full team not being appointed. Further interim arrangements were coming into place, whilst a recruitment of the rest of the team takes place. A full team was expected to be in place within six months;

The Audit and Governance Committee noted the External Audit Plan.

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### **PROCEDURE FOR MINUTES**

The Corporate Manager Democratic & Civic Support, provided an overview of the procedures for minutes following recently received concerns with the procedure for committee minutes, including the process for challenging their accuracy and presentation to full Council.

He explained that minutes were a draft record of decisions taken at the various committee meetings until they were signed as a correct record at the next meeting of that committee. It was the responsibility of the committee Members to challenge the accuracy of the minutes and the committee as a whole to amend them as required. Amendments would be recorded in the minutes of the meeting which they were amended, which he referred to the amendments made at this meeting.

Exeter City Council presented all committee minutes to full Council for information, allowing Members the opportunity to see what the committees were dealing with and to ask questions to the Chairs or Portfolio Holder on matters raised at the meeting for transparency. He highlighted that full Council did not approve the

minutes, only to receive them and this practice was not followed by all other councils, such as Plymouth City Council who only received recommendations for Council approval.

Members debated the procedures for minutes at council and procedures discussing:-

- The status of minutes when they go to Council and should they only go to Council after the next committee meeting, which would mean Council would not see committee minutes for up to four months;
- Accuracy and clarity of minutes at Council needed to be established to ensure full transparency and public understanding;
- The minutes at Council needed to clearly show that they were still in draft form;
- Undertaking a governance review, to highlight recommendations other than reading out minute numbers;
- Committee reports to be more understandable and less jargon;
- Adding additional Member and Scrutiny training to the governance review;

In response to questions from Members, the Corporate Manager Democratic & Civic Support explained that:-

- Full Council noted all minutes of committees with the exception of any recommendations of the Executive which were open for discussions and decision by Council;
- The process had existed in Exeter City Council for a number of years, although this practice was not universally followed;
- The process followed the "pre Scrutiny", with the subsequent presentation of all minutes to full Council. This allowed transparency in the decision making process, allowing readers to easily follow the decision making route.
- Terminology of the minutes could be addressed to add suitable wording to show them as in draft form when shown at Council, except for recommendations to Council;
- A cross party governance review board to address changes could be established and include more scrutiny training resources.

The Audit and Governance Committee agreed to form a governance review board to address the roles and responsibilities of the various committees, ensuring they continue to meet the Council's priorities and objectives, the standing orders and procedure rules that support the committee and decision making structure to and allow for maximum transparency in decision making. The Corporate Manager Democratic & Civic Support would provide an update at the December meeting.

The Audit Manager (HP) presented the report which required approval from Members for the 2018/19 Internal Audit Plan, which met the terms of reference of the Audit and Governance committee. She stated that the report provided information on the processes used by the Audit Managers to create the plan.

Members were informed that all systems were assessed using an audit risk assessment matrix, with high risk areas audited annually, medium risks every other year and low risks every four years on a rolling plan cycle. The plan was continuously reviewed, ensuring all risks were monitored, and with any amendments presented to the Audit and Governance Committee and that the audit plan was linked to the Corporate Risk Register.

The Audit Managers had received feedback from Strategic Directors and Corporate Managers about their priorities and responsibilities on the corporate risk register and from Audit and Governance Chair and Deputy Chair, which had also been incorporated into the 2018/19 Internal Audit plan.

The areas with the highest audit coverage were creditors, housing and contract management. The creditors had the potential for fraud and cost errors to the Council, but contract management had the potential to save the Council money if done correctly and was area identified for improvement by Internal Audit, based on previous year's work.

In response to questions from Members the Audit Manager (HP) explained that the level of fraud in Exeter was low compared to other authorities and that any fraud was investigated and appropriate action taken included prosecution.

**RESOLVED** that the Audit and Governance Committee approve the 2018/19 Internal Audit Plan.

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### **INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager (HP) presented the report which provided a review of the internal audit work carried out during the period 1<sup>st</sup> October to 21<sup>st</sup> December 2017 and provided a progress update to the Members. She explained that the internal audit provided an independent review of the Councils effectiveness for internal control, risk management and governance.

She discussed the work undertaken, examining the financial internal control systems in place to prevent loss due to frauds, errors and inefficiency, and to corporate governance and risk management. The progress against the annual audit plan was considered good, despite the impact of losing a staff member, who was on long term sick leave and not having the finance apprentice to support. However as previously agreed, staff had been working additional hours since January to ensure the plan was completed by the end of the last quarter. She referred Members to the overspend outcomes of time against contract management in Appendix B.

The Audit Manager (HP) explained that there were no instances to report where recommendations had not been accepted by management during this quarter or of management accepting a recommendation which was not subsequently implemented within a reasonable timescale. She referred to the annual governance statement (AGS) which had included areas to improve governance arrangements

A summary of the emerging issues included cyber security which was defined as the defence of any physical or information assets, had been rated among the top four risks to national security. She explained the possible attacks to local authorities included malware, phishing, botnet attacks and specific individual attacks. She stated that the report highlighted the potential risks to our own systems and data.

In response to Members' questions the Audit Manager (HP) and the Chief Finance Officer responded that:-

- The CIL and Section 106 improvements related to the previous quarter for issues related to affordable housing. The Chief Finance Officer would issue a copy of the audit report to Members;
- The Chief Finance Officer would ascertain as to whether there were any requirements to repay section 106 funds in respect of Pinhoe Quarry;

- S106 was dependent on who was involved in the agreement, e.g. if Devon County Council were a party to the agreement, then they would receive money directly for services that they were responsible and would also be responsible for refunds if required.

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

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## **CODE OF CORPORATE GOVERNANCE**

The Chief Finance Officer presented the report which provided an overview of the proposed Code of Corporate Governance which reflected the updated principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016). He explained that the Council was required to prepare and publish an Annual Governance Statement which reported on the Council's performance against the Code of Corporate Governance, which was reviewed and updated annually.

**RECOMMENDED** that the Audit and Governance Committee support and Council approve the Code of Corporate Governance for 2018/19.

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

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## **CORPORATE GOVERNANCE RISK REGISTER (QUARTERLY REVIEW)**

The Policy 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 monitored the Council's corporate risks to ensure Council business was conducted correctly. The report advised Members of the council's risk management progress and presented the updated Corporate Risk Register.

She highlighted the updated Corporate Risk Register detailed risks that could have a major impact on the city and were now managed by Directors and Corporate Managers. The register had also been expanded to include all of the council's corporate health and safety risks, which were listed health and safety risks register and would be presented quarterly to the Audit and Governance Committee.

Members were advised that four new risks had been added to the register, which included the introduction of the Homelessness Reduction Act, Universal Credit, Monkerton Heating Company and the District Heating Scheme. There were six existing high risks on the register, which she confirmed work was underway to complete them and confirmed that there were seven risks that had been removed.

In response to Members questions, the Policy Officer, Chief Finance Officer and Corporate Manager Democratic & Civic Support explained:-

- The Corporate Health and Safety risks would be the responsibility of the Chief Executive and Growth Director, with Directors, the Principal Health and Safety Officer, City Solicitor and Head of HR, Chief Finance Officer, Environmental Health and Licensing Manager, all sitting on the Health & Safety Committee along with Union involvement;

- The Operational Health and Safety board meet with the various service leads and Union representatives, and was separate from the Health and Safety Committee;
- The inadequate five year housing supply risk was reliant on delivery of the GESp targets. The council needed to consider what would happen if one of the GESp partners withdrew from the partnership.
- The register highlights the biggest risks to the Council, requiring Members attention, rather than detail every potential risk;
- Migration of data between two registers, resulted in some duplication, but will be amended when the Health and Safety group provides their updates;
- The registers would be amended to ensure they both have the same layout to ensure clarity;
- The contaminated land at Valley Park was still on the risk register, however was considered to be a low risk, but the Policy Officer would provide the Member with additional information;
- Responses to the detailed questions relating to the Monkerton Heat scheme would be provided to the Member as appropriate;
- The Corporate Manager Democratic & Civic Support would provide a response concerning whether the Director appointed by Exeter City Council at Monkerton should be listed as an outside body;
- The Legionella report had completed the high and medium risk assessments, which had revised the risks to incorporated monitoring, with work progressing, and considered to be a high priority.

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

(The meeting commenced at 5.30 pm and closed at 7.00 pm)

Chair