

**AUDIT AND GOVERNANCE COMMITTEE**  
**HELD AS A VIRTUAL MEETING**

Wednesday 16 September 2020

Present:-

Councillor Wardle (Chair)  
Councillors Atkinson, Foggin, Hannaford, Henson, D, Mrs Henson, Mitchell, M and Oliver

Also Present

Director Finance, Deputy Chief Finance Officer, Audit Manager (HP), Democratic Services Officer (MD) and Democratic Services Officer (SLS)

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**APOLOGIES**

Apologies were received from Councillors Pattison and Warwick.

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**MINUTES**

The minutes of the meeting held 22 July 2020 were taken as read and approved as correct for signing by the Chair at the earliest possible convenience.

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**DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

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**EXTERNAL AUDIT PROGRESS REPORT**

Jackson Murray, the Engagement Lead from Grant Thornton, the Council's External Auditors, updated Members on the Audit deliverables and key matters of their progress including the financial statements audit, the value for money conclusion and certification of the housing benefits subsidy claim. He advised that the draft financial statement was received on 31 July 2020, before the revised national publication deadline of 31 August 2020, which had enabled their audit team to commence selecting samples for testing. It was anticipated the audited financial statement would be issued by the 30 November 2020 target date.

Covid-19 continued to impact on their work which was predominantly undertaken remotely and whilst there were benefits, some aspects of the work were taking longer to complete. The progress report included reference to a number of publications including a National Audit guide for Audit Committees on financial reporting and management during Covid-19 as well as the new National Audit Office Code of Practice for the 2020/21 period and he would update Committee Members accordingly at the earliest opportunity. A Member suggested two of the reports referred to in Grant Thornton's report, from Localis, an independent not for profit think tank, entitled 'Building for Renewal: Kick-starting the C19 Housing Recovery', and a 'Place Based Growth' report produced in collaboration with the County Councils' Network merited further consideration and he suggested an urgent cross party exploration by this Council of a number of the issues identified. Members considered that there were many interesting themes in the reports and suggested holding a Members' Briefing, as well as raising at a future Scrutiny Committee or the Executive.

The External Auditor's Engagement Lead also referred to the recent publication of the Redmond Review which considered the local government audit market and provided a summary of its key themes and main recommendations to strengthen governance which included:-

- the creation of an Office of Local Audit and Regulation to be responsible for the regulation of the local audit market and include a number of functions performed by the Public Sector Audit Appointments Ltd,(PSAA) who currently oversee the appointment of external auditors.
- formalising the liaison meeting process between external auditors and senior officers within the local authority.
- External Audit reporting annually to the local authority and not necessarily just through the Audit Committee process.
- consideration of moving the accounts reporting timetable back to the 30 September.
- recognition that audit fees were too modest for the complexity of the work entailed, particularly around the preparation of the financial statement.
- the accounting body, CIPFA, should review the accounting
- the creation of a summary document aside from the financial statements to the accounts, which would be audited to offer greater accessibility for members of the public.

The Director Finance advised that he had attended a webinar event on the Redmond Review and the discussion had included the prospect of the inclusion of an independent member who would be a suitably qualified accountant to sit on the Audit Committee of each local authority. Whilst, audit work would continue to be carried out by firms such as Grant Thornton, there would increasingly, be an ongoing dialogue over the cost versus quality issue and ability within the time scale. He reminded Members that significant savings had to be made by the Council, against the backdrop of any increased cost in the audit delivery process.

A Member suggested any such future review of membership should also consider performance against the scope of the Audit Committee. The External Auditor's Engagement Lead welcomed the opportunity to discuss the Redmond recommendations at the next meeting of this Committee. The Director Finance would provide a summary for Members.

The Audit and Governance Committee noted the External Audit Progress Report and welcomed two particular reports 'Building for Renewal: Kick-starting the C19 Housing Recovery, and a 'Place Based Growth' which Members suggested merited further consideration in some form by the City Council.

### **INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager (HP) presented the report on internal audit work carried out during the period 1 April to 30 June 2020. Members' attention was drawn to the progress against the Audit Plan, where a number of factors directly related to Covid-19 had made an impact on the delivery against the Plan. There had been considerable levels of unplanned work, as well as Internal Audit staff assisting with reactive work in other parts of the Council. This included assisting with the administration of Covid business grants, carrying out inventory checks and stock take of the city's leisure centres in preparation of their transfer back to the Council. Regular audit work had presented a greater challenge as many service areas had to focus on critical work with the consequence that Internal Audit would not be able to

deliver the plan of work agreed and therefore amendments to the plan were being proposed.

Members' attention was drawn to Appendix A, which set out the progress against the work carried out to date and the amendments which were highlighted in the report. Appendix B included an update on significant governance issues presented in the Annual Governance Statement and the Audit Manager reported there had been no changes. Appendix C set out the conclusion of an Internal Audit report in relation to the Pinhoe Community Hub. The report had been made available to Members as per the order of the Information Commissioner and the Council's External Auditors.

The Director Finance responded to a Member who expressed her disappointment that correspondence, which would have formed part of the enquiry had not been included in the report. The Member suggested that a more robust investigation should have been carried out and was concerned over the handling and perfunctory investigation. Her concern related to the appropriateness of the financial arrangements made in the setting up of the project, rather than the creation of a much welcomed project to build a community hub in Pinhoe. The Director Finance assured Members that the circulated report was, as produced by Internal Audit in its entirety, with the names of those individuals who had raised the matter, being redacted so the report could be presented in the public domain. The Member, in raising her concerns, sought assurances that the original letter should be made available. The Director Finance stated that the funding request had not been in place at the outset, and a separate request for £100,000 to build a community hub was approved at full Council. A study of the robustness of the grants process had now been made, which had led to the grants review and a new system put in place. However, he would speak to the Monitoring Officer and report back to Members.

In response to advance questions from a Member in relation to the update on the Pinhoe Community Hub, as set out in Appendix C of the report, the following responses were provided from the Director Finance:-

- In terms of the author of the report and redactions, Internal Audit reports were produced to be shared internally with management to support improvements to the Internal Audit environment. One of the Council's Audit Managers was the author of the report and the redactions related to individuals who were no longer employed or were no longer members of the Council to enable the report to be made publicly available.
- The Audit and Governance Committee was the most appropriate committee to consider this report, because it was a matter of governance of Internal Audit and their view on the control environment, which was sought. Such reports were not, as a matter of course taken to the Audit Committee in full, with summaries being provided. The Information Commissioner and the External Auditors requested that the full report be made available to Members, but the Director Finance reminded Members had the right to see any audit report.
- There was not sufficient allocation in the budget for this request for funding to be processed through the normal grants process at that time. The request for funding of £100,000 was brought forward as a separate report to Full Council. Members of the Council would have had the opportunity to comment and vote on the matter with the opportunity to approve or reject any such recommendation.
- Although the short report had been made available, Members were welcome to request any further information they required. The grant awarded was to provide

funding to build a community asset in an area, using funding derived from the New Homes Bonus. Members sought to build a community asset in an area that had seen significant levels of housing with the stated intention of the scheme to support the community. The Director Finance stated that it had been acknowledged that the grants process had required strengthening and this had since taken place.

- Officers referred to in the report were not contacted prior to leaving the authority and no discussion had taken place with any serving or former Members who were involved.
- In respect of the current status of the grant, and before the closing of last year's accounts in 2019/20, and the recommendation from External Audit, further payments of £22,064 were made. However, following their recommendations, any further activity in this regard would be discussed with External Audit before making any further payments, there have been no leasehold arrangements entered into with the applicants of the Pinhoe Community Hub.

A Member welcomed the intent and spirit of the Pinhoe Community hub project, which was as a result of the principles of the New Homes Bonus award process and would contribute to an area of the city which had absorbed a significant amount of new housing. Another Member was pleased that the current grant system offered probity and safeguards and that a valuable community facility had been provided for Pinhoe. She also acknowledged that the outcome was the offer of community facility for the community, so, whilst there may appear to have been a failing in part of the process, the outcome would offer great benefits.

**RESOLVED** that:-

- (1) the Internal Audit Progress Report for the first quarter of the year 2020/21 be noted; and
- (2) the amendments to the 20/21 Internal Audit Plan be approved.

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

The Audit Manager (HP) referred to the Audit and Governance Committee's responsibility for monitoring and reviewing the Corporate Risk Register and in presenting an update advised that there were no changes to the Corporate Risk Register since the last meeting.

Following a request from a Member, the Audit Manager (HP) agreed to update the Risk Register on the lines suggested to improve the presentation of the detail. The Director Finance responded to a Member's concern about licenced craft on the Exeter Canal and River Exe. Although there was no reference in the Risk Register, he would contact the City's Harbour Master and colleagues in Environmental Health to enquire about the social distancing controls and checks imposed on passenger licensed craft using the Exeter Canal and River Exe and update the Member.

The Audit and Governance Committee noted the contents of the Risk Register.

(The meeting commenced at 5.30 pm and closed at 6.45 pm)

Chair