

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 10 November 2021

### **Present:-**

Councillor Tony Wardle (Chair)  
Councillors Atkinson, Hannaford, Jobson, Mitchell, M, Moore, D, Pearce, Sparkes and Warwick

### **Also Present**

Director Finance, Deputy Chief Finance Officer and Democratic Services Officer (SLS)

Julie Masci – Engagement Lead, Grant Thornton  
Katie Whybray – Senior Manager Audit, Grant Thornton

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### **MINUTES**

The minutes of the meeting held on 29 September 2021 were taken as read, approved and signed by the Chair as correct, subject to the following substitution of two sentences below in relation to Minute 63.

*Original wording* - A Member referred to (Risk Ref 8) which was also a goal set out in a previous Corporate Plan, and statement from a report by Exeter City Futures relating to a Carbon Plan 2017 to 2022. She suggested a further discussion on this matter would be appropriate as the resolution by the Council in July 2020, which approved the Net Zero 2030 plan, needed to inform all of the work of the Council.

*To be substituted with*

A Member referred to (Risk Ref 8). She highlighted that this risk has had probably been conflated with the targets set out in the 'Energy Strategy 2017-2022 An Energy Neutral Council' adopted by Council to achieve a carbon neutral council for its energy used by 2022. This risk should be reconsidered in the light of the target set in that strategy.

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### **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

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### **AUDIT FINDINGS REPORT (ISA 260)**

Julie Masci, Engagement Lead, and Katie Whybray, Senior Manager Audit, for the Council's External Auditors, Grant Thornton presented the Audit Findings report, which included the audit of the 2020/21 Financial Statements and an update on the Value for Money work.

The Engagement Lead advised that although their work on the audit of the financial statements was substantially completed, the certification for the closure of the 2020/21 audit of Exeter City Council would be delayed, as a number of audit areas were outstanding. It was intended that the audit would be concluded by the end of November. Any concerns relating to the outstanding work would be communicated to the Committee before completion of the Audit. It was important to highlight that the Council's officers had fully cooperated throughout the course of the audit. The work on the Value for Money requirement would be completed within a prescribed

three month timeframe, and the outcome would be reported to a subsequent Audit and Governance Committee meeting.

The Engagement Lead gave the following responses to Members' questions and confirmed that

- the audit was substantially complete and there was no reason to delay in advising that an unqualified opinion would be given. The practice of audits not being concluded when presented to Members was not uncommon. Although a formality, the date of the management letter, setting out the representation could be updated to mirror the completion of the Final Statement of Accounts.
- the Council's approach to holding debts included consideration of the age profile of debts and making a provision for non-collection. The Director Finance stated that where possible the Council generally take a conservative approach and for sundry debtors a provision was made at 90% for debts aged over five years. Grant Thornton consider the Council's approach as part of the audit and whether the provisions are considered prudent. A judgement of significant debtors was made on a case by case basis and the statement of audit was a snapshot at a point in time. A significant amount of work went into the management of bad debt provision.
- the audit in relation to officer declarations of interest included the recording of a whole raft of additional checks such as employment with related partners. The request for further information did not relate to the remit of the policy but to a lack of return for each officer. The Director Finance agreed with the findings which had been an oversight and would be rectified.
- the Council's group accounts are included in the audit work. Detailed account information was obtained from Exeter City Living's own auditors to ensure it met the recommended audit standard for the Council albeit under a separate audit process.
- the focus of a value for money approach for third party entities is to ensure there were the appropriate governance arrangements in place to ensure the service could be delivered. It also included the financial monitoring and the company arrangements and how they impact on the Council.
- the Value for Money work reflected the challenging environment and financial position across the Council as a whole. It was important to consider the scale of the challenge and how the financial plan was delivered.

The Audit and Governance Committee noted the report on Audit Findings from the Exeter City Council (External Auditor), Grant Thornton.

### **STATEMENT OF ACCOUNTS 2020/21**

The Deputy Chief Finance Officer presented the report on the Council's Statement of Accounts for 2020/21. It was a statutory requirement to publish the Statement of Accounts which are intended to provide a 'true and fair view' of the financial position and transactions of the Council, including the Group Financial Statement as at 31 March 2021. The ongoing challenges brought about by the coronavirus pandemic had continued, and the statutory deadline for publishing the audited accounts remained at 30 November 2021. She referred to the External Auditors report that the completion of the audit had been delayed, and that nevertheless it was anticipated that an unqualified audit opinion would be issued. Only a small number of audit adjustments and presentational changes had been identified during the course of the audit, all of which had been resolved. At the time of writing the report there were no key audit findings to draw to Members' attention other than the recommendations reported as part of the Audit Findings report.

The Director Finance referred to the Annual Governance Statement (AGS) that had been approved at the Audit & Governance Statement in July and would accompany the final Statement of Accounts. He requested the following further statement be added to comply with the CIPFA guidance -

“To the best of our knowledge, the governance arrangements, as outlined in this AGS have been operating effectively during the year with the exception of those areas identified as significant issues. We propose over the coming year to take steps to address these issues in order to enhance our governance arrangements and are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness. Progress against the action plan will be monitored quarterly by the Audit & Governance Committee”.

The following responses were given to Members:-

- Members would be made aware of any issues of concern in relation to the completion of the final statement.
- the accounts of all companies that Exeter has a material interest in are available at Companies House which can be made available to Members if requested. The full list of entities controlled or significantly influenced by the authority was included on page 85 of the report.

A Member sought further information on the narrative report into Building Great Neighbourhoods and a Government grant for £600,000 for the retrofit of 120 properties to improve their energy performance rating. She sought clarification as a £1.1m Government grant was also referenced in the narrative report to tackle fuel poverty and if this was the same grant. The Deputy Finance Officer would reply to the Member.

**RESOLVED** that the Audit and Governance Committee approve the audited Statement of Accounts for 2020/21, subject to the following additional recommendations that:-

- (1) a revised statement be inserted, replacing the final approval comment of the Annual Governance Statement (AGS), which will now read:-

“To the best of our knowledge, the governance arrangements, as outlined in this AGS have been operating effectively during the year with the exception of those areas identified as significant issues. We propose over the coming year to take steps to address these issues in order to enhance our governance arrangements and are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness. Progress against the action plan will be monitored quarterly by the Audit and Governance Committee”; and

- (2) any additional material changes to the accounts be delegated to the Director Finance and the Chair of the Audit & Governance Committee to be agreed and other Members of the Audit & Governance Committee subsequently informed.

The Director Finance submitted the letter to the External Auditor, Grant Thornton in respect of the 2020/21 Statement of Accounts as an audit requirement to produce the letter, which gave a financial assurance as well as complying with the following

International Reporting Standards and the Chartered Institute of Public Finance and accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC ) Code of Practice on Local Authority Accounting in the UK 2020/21 and applicable law.

**RESOLVED** that the Audit and Governance Committee approve the representation letter, and request that it be signed by the Director Finance and the Chair of the Audit and Governance Committee for forwarding to the External Auditor, Grant Thornton.

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

Chair

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