

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 29 November 2023

Present:-

Councillor Wardle (Chair)
Councillors Jobson, Allcock, Atkinson, Fullam, Miller, Mitchell, M, Moore, D, Patrick, Snow and Williams, M

Apologies

Councillor Branston

Also Present

Director Finance, Audit Manager (HK), Corporate Manager – Executive Support and Democratic Services Officer (SLS)

Julie Masci. Director, Audit (External; Audit) Grant Thornton

60 **MINUTES**

The minutes of the meeting held 27 September 2023 were taken as read, approved and signed by the Chair as correct.

61 **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

62 **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The Director, External Auditor (Grant Thornton) referred to the circulated report on progress made on their recent activity, in relation to the financial statements audit with two audit years for 2021/22 and 2022/23 to bring to a close. The Audit Findings report had been presented to this Committee for 2021/22 and good progress continued to be made in relation to the outstanding areas of work. The majority of the 2021/22 audit had now been completed, and an update on this was included in this agenda. There had been substantial progress on the 2022/23 financial statement and Grant Thornton were working with the Council's finance team to progress the outstanding work in that regard.

The Department for Levelling Up, Housing and Communities (DHLUC) had suggested proposals to address the national backlog of local authority audits, which would offer an opportunity to finalise a number of audits that they were undertaking. She anticipated the outcome of consultation would be known shortly to ensure that both they and the Council had some clarity on this matter.

The Director Finance stated that there were no significant issues identified in the final accounts and the intention was to present the 2022/23 final Statement of Accounts to the March meeting of the Audit and Governance Committee.

The Audit and Governance Committee noted the report.

EXTERNAL AUDITORS - INTERIM AUDIT FINDINGS REPORT 2021/22

The Director, External Audit (Grant Thornton) presented an update of the Interim Audit Findings report on the Council's 2021/22 financial statements. She provided an update on further work undertaken since the last Committee meeting in September 2023, and confirmed there were no matters that would require a modification of their audit opinion. There had not been any significant changes or additional issues to bring to Members' attention. The Value for Money work was ongoing and work in respect of the 2021/22 audit was a joint exercise with the 2022/23 arrangements.

The Director Finance made the following responses to Members' enquiries:-

- information on the completion of declaration of interests of senior officers had been sought and an update would be provided at the next meeting of this Committee.
- progress had been made, as part of a review of the way financial systems were managed across the whole Council, and the number of finance staff who had superuser access.
- Exeter City Living had made appropriate loan repayments in the 2020/21, 2021/22 and 2022/23 financial years. It was appropriate for a minimum revenue provision (MRP) to be allocated for debt repayment for 2023/24 as there would be no loan repayments, and this would be equivalent to what would have been received from Exeter City Living.

RESOLVED that the Audit and Governance Committee noted the update of the Interim Audit Findings report.

STATEMENT OF ACCOUNTS 2021/22

The Director Finance presented the report on the Council's Statement of Accounts for 2021/22 for approval and adoption. It was a statutory requirement to publish the Statement of Accounts which were intended to provide a 'true and fair view' of the financial position and transactions of the Council, including the Group financial statements as at 31 March 2022. The Finance team had some outstanding work to complete. However, there was no change in the overall position as reported to Members in July 2022 on the final outturn position for the Council. The recommendation included a request for delegated powers to be granted to the Director Finance with the Chair of the Audit and Governance Committee to sign off the 2021/22 accounts and support the arrangements for the 2022/23 Audit.

The Director Finance made the following responses:-

- the sum of £3.53 million quoted in the consolidation of the Group Accounts was an error.
- a discrepancy relating to a photograph of the Members depicted in the Statement of Accounts would be updated, if allowed to ensure they aligned with the reporting period for 2021/22.
- a reference to an associate organisation listed in the notes of the financial statement was correct from an accounting point of view.

The Director, External Audit (Grant Thornton) clarified that when looking at group structures, the reference to associate organisations was defined as not having control, but having some form of influence. A Member wished her comment drawing attention to the listing of associate organisations in the Statement of Accounts and a reference made to the relevant guidance as set

out in the Charity Commission to be noted.

RESOLVED that:-

- (1) the Audit and Governance Committee approve the audited Statement of Accounts for 2021/22, and
- (2) subject to any additional material changes to the accounts be delegated to the Director Finance and the Chair of the Audit and Governance Committee to be agreed, and to make any further amendments before signing the accounts and to report back to the March meeting of this committee any findings if they are identified in the remainder of the Audit.

65

MANAGEMENT LETTER OF REPRESENTATION

The Director Finance referred to the Management Letter of Representation to the External Auditor Grant Thornton in respect of the 2021/22 Statement of Accounts, which confirmed the Council had provided all the necessary information, and as required as part of the Audit.

The Director Finance responded to a Member's enquiry on the exclusion of Exeter City Living in the representation of the Statement of Accounts for 2020/21, advising that there was no post balance sheet event added. There would be a reference to a review in the 2022/23 Statement of Accounts to determine if this will be a post balance sheet event.

RESOLVED that the Audit and Governance Committee approve the Management Letter of Representation, 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.

66

INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (HK) presented the quarterly report on the internal audit work carried out during the period 1 July to 30 September 2023, and advised on overall progress against the Annual Audit Plan. The team were on target to deliver the Plan and there were no outstanding remedial actions to report. She drew Members' attention to an audit with limited assurance relating to corporate credit cards. The Director Finance had made reference to this in the Section 151 comments in the report, indicating that a review by the Strategic Management Board had resulted in a decision to reduce the number of corporate credit cards held.

The Audit Manager responded to Members; questions as follows:-

- that a satisfactory opinion was provided on the spa operations at St Sidwells Point.
- the authority had already carried out significant work in respect of business continuity before the Covid pandemic. This work had stood the authority in good stead enabling priority services to continue to operate with minimum disruption. Implementation of a full business continuity framework was currently work in progress, with a statement of intent to ensure business continuity good practice was met. Every local authority had a responsibility to work with outside partners and businesses to review and recover their activities or business following a major event as part of civil contingency.

The Director Finance responded to Members' comments and enquiries:-

- a timescale for reporting on the significant government issues arising from the Annual Governance Statement would be made when the current financial challenges were no longer an issue for local government.
- a review on housing rents was undertaken in 2012, with the introduction of a central Payment and Collection team to deliver the Council's One View of Debt. It was appropriate for Housing Services to take back the collection of housing rents, as they had good experience of debt recovery and a direct relationship with tenants.
- internal Audit were only responsible for reviewing the system of internal control and do not make a judgement as to whether the system in place would ensure the Council met any targets.

The Audit and Governance Committee noted the Internal Audit Progress Report for the second quarter of the year 2022/23.

67 **LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW OF COMPLAINTS
2022-23**

The Corporate Manager (Executive Support) presented the report and explained the role of the Local Government Ombudsman (LGO) in investigating and resolving complaints about Councils. This report included details of the complaints received by Exeter City Council, and the decisions made by the LGO for the year ending 31 March 2023, which were set out in Annex A of the report. Comparator information of the complaints received by other Devon Councils and Councils in Exeter's "CIPFA Nearest Neighbours Model" or family group, were also included and provided an assurance of the number of complaints that were referred from Exeter.

It was noted the Local Government Ombudsman and Housing Ombudsman had just completed a consultation exercise on proposals to establish a Joint Complaint Handling Code. More information would be presented to Members when the proposals were finalised. In response to a question, the Corporate Manager explained that, in line with the Council's policy, efforts were made to resolve an issue or problem at the first point of contact. If a matter could not be resolved satisfactorily, it would be treated as a complaint.

With reference to the case that was upheld, and the Ombudsman's requirement to produce a policy setting out how the Council would deal within accurately advertised properties on the housing register, he would check if this was an operational or council policy and, if the latter, whether it been agreed by Members. He would also check if the service had actually changed the way it describes policies in line with the Ombudsman's recommendation.

The Audit and Governance Committee noted the Local Government Ombudsman's Annual Review of Complaints 2022/23 report.

68 **REVIEW OF CORPORATE RISK REGISTER**

The Director Finance presented the report, and advised the Audit and Governance Committee of the Council's risk management process, which had involved a significant piece of work carried out with the Strategic Management Board (SMB) and Members over the last 12 months to redefine the Risk Register.

A review of the Corporate Risk Register was before the Audit and Governance Committee to comment on the new process in place to manage risk. The report,

which had been reviewed by the relevant Directors of the SMB and Portfolio Holders was presented to the Executive meeting on 28 November. Members were invited to review and comment on the Risk Register, and any comments would be reported to SMB to continue to strengthen the approach and ensure the Risks were identified and accurately linked together. The Director Finance also advised that he would present a draft Risk Policy to the Audit and Governance Committee in March for Members to comment upon.

The Director Finance responded to the following Members' comments:-

- staff recruitment of some professions remained a challenge in some areas of the Council, including in Estates and Commercial Property Management team, Engineering and Planning, with pay being cited as a factor.
- the Risk Register covered the city's heritage assets and maintenance of the Roman Wall, which had historic significance was very challenging. A revised sum had been set aside in the Capital Programme for repairs to the Wall, and the reworked scheme remained a high priority.
- a request had been made for scrutiny of the commercial property portfolio with a report to Strategic Scrutiny Committee.
- the risk of property failing would be an inability to deliver a full service from the premises and a key mitigation was to regularly review the property portfolio with disposal to provide funding to help maintain the stock.
- the Exeter Development Fund could offer an opportunity to provide the necessary infrastructure to make the development of brownfield sites viable. He would take back the Member's comment about viability, and deliverability of the Fund to the relevant colleague.
- a Member's suggestion that the Risk Register should include a diary log of events and activities was noted.
- an amendment to the Audit & Governance Committee's terms of reference in relation to risk would reflect their changed monitoring and comment role and ensure the reporting schedule was better aligned to the Executive. He would seek an update of the Constitution to reflect the revised reporting regime of the Risk Register.

The Audit and Governance Committee noted the Corporate Risk Register.

(The meeting commenced at 5.30 pm and closed at 7.30 pm)

Chair

This page is intentionally left blank