

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 27 November 2024

### Present:-

Councillor Wardle (Chair)

Councillors Jobson, Atkinson, Ketchin, Knott, Miller-Boam, Mitchell, M, Moore, Palmer and Williams, M

### Apologies

Councillors Begley and Patrick

### Also Present

Chief Executive, Strategic Director for Corporate Resources, Head of Legal and Democratic Services & Monitoring Officer, Head of Service - Finance, SWAP Internal Audit Services, Senior Manager, Democratic Services Manager and Democratic Services Officer

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### **MINUTES**

The minutes of the meeting held 25 September 2024 were taken as read, approved and signed by the Chair as correct subject to the agreed update to the attendance to include Councillor Miller-Boam who had been present.

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### **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

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### **INTERNAL AUDIT PROGRESS REPORT**

The Assistant Director, SWAP Internal Audit Services presented the Internal Audit Progress Report making the following points:

- the summary of the plan showed 50% of planned audits in progress;
- the plan was reflective of risks and the changes made to SMB
- there were actions agreed against the risks;
- 2 of 3 high risk areas were being worked on this year but not net zero as late in 2023 reasonable assurance had been given;
- that net zero would likely be a key consideration next year;
- two different styles reflect the move from internal to SWAP;
- that actions had been agreed in relation to all findings;
- there had been 13 recommendations made by SWAP and all had been implemented in full; and
- a full listing of Audit work could be found at Appendix D.

In response to Members' questions, the Assistant Director and Chief Executive made the following points:

- an action plan for Corporate Governance was the next item on this agenda;
- workforce planning was on the priority list for HR following the restructure;
- that staff training was the responsibility of services, with no standard procedure therefore differences in quality of record keeping;
- Health & Safety for staff now separated from external;

- that risk management had been considered and would appear next year;
- that actions plans were agreed as standard;
- that a system of monitoring would be introduced giving SMB access to internal audit system with training in December;
- actions were not closed until evidenced;
- that SMB had asked for a focus on corporate maintenance as it had been a difficult area;
- that capital and maintenance were now split and the new Strategic Director would look at outstanding work and identify the scope of work to be done, engaging external partners for resource support where appropriate; and
- that a bespoke system for compliance would be the preference.

The Audit and Governance Committee noted the Internal Audit Report.

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### **CORPORATE GOVERNANCE AUDIT REPORT**

The Chief Executive presented the report of the Corporate Governance Audit, making the following points:

- an action plan for any limited assurance would be presented to this committee;
- that this audit had been conducted in March 2024 when the restructure had only just begun;
- significant progress had already been made;
- that actions were included with timescales; and
- SMB met bi-monthly to review the actions.

In response to Members' questions the Chief Executive and Monitoring Officer made the following points:

- That consultation for a consultation manager was ongoing;
- Best practice would be to show consultation outcomes;
- Existing committees would hear about implementation;
- SMB would work on Advisory areas;
- That officers could not make significant changes to the Constitution;
- Updates would be made to delegations due to restructure; and
- that the Monitoring Officer would be looking at Member Consultation in due course.

The Audit and Governance Committee noted the report and agreed that a six-monthly progress update against the Corporate Governance Audit Recommendations be reported to the committee, to include an update against the recommendations made by the External Auditors.

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

The Senior Manager, Audit of Grant Thornton presented the progress report making the following points:

- 2021/22 opinion would be given imminently
- 2022/23 would be finalised and opinion given after this committee; and
- 2023/24 was in progress with a completion plan in place, aiming to meet the backstop date of February 2025.

In response to Members' questions the Senior Manager, Audit made the following points:

- sufficient work had been carried out on the objections with no impact

- identified on the financial statement;
- the certificate would remain open until objections were finalised; and
- that process had been agreed at previous committee meetings, signatures were awaited and will be published on the website.

The Audit and Governance Committee received and considered the External Audit Progress Report.

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### **EXTERNAL AUDITORS - FINAL AUDIT FINDINGS REPORT 2022/23**

The Senior Manager, Audit of Grant Thornton presented the Final Audit Findings Report 2022/23 making the following points:

- work was complete and had stated in March that this would be brought back to committee;
- where had been no material change but work on the classification of the Guildhall Shopping Centre had been carried out;
- Grant Thornton had concluded that management judgement was acceptable but a critical judgement note was now included; and
- an unqualified opinion would be issued.

The Senior Manager, Audit and Strategic Director for Corporate Resources answered Members' questions making the following points:

- there had been no change to the report which had been agreed in March other than the addition of the critical judgement note;
- the cost of appeals was small as final year of business rate valuation and no ongoing appeal;
- 2023/24 new valuation was in place therefore higher increase offset by appeals settled (for example, RAMM appeal, rates were paid therefore once appeal heard and rates reduced the difference was repaid);
- the table in page 42 was a snapshot from a report which came to committee with all the detail (Annual Auditor's Report);
- revision of Performance Monitoring Report was being looked at; and
- a significant report was being drafted pertaining to associated bodies which would go to Executive and Council but could come to Audit and Governance Committee.

The Audit & Governance Committee received and noted the External Auditors Final Audit Findings Report 2022/23

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### **STATEMENT OF ACCOUNTS 2022/23**

The Strategic Director for Corporate Resources presented the Statement of Accounts 2022/23 making the following points:

- that the only change was to add the critical judgement note;
- reassurance was offered that the issue of classification of the Guildhall Shopping Centre did not affect the use of surplus funds in line with government guidance; and
- whether investment or operational the impact on the tax payer was zero.

The Strategic Director for Corporate Resources and Head of Service – Finance answered Members' questions making the following points:

- the amount shown under salaries under Member Allowances was NI contributions;
- Grant Thornton had full access to Exeter City Living accounts and the associated audit;
- Clifton Hill had been purchased back;

- there had been no impact on single entity accounts but ECL was reflected in group accounts;
- capital was separate therefore did not show in revenue account;
- property assets did not have usual market value but value of reinstatement therefore appeared lower than expectation;
- that Red book valuations had been used which is standard RICS methodology; and
- HRA valued stock every year which explained variation but no impact on rent.

The Audit and Governance Committee approved the Statement of Accounts 2022/23.

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### **MANAGEMENT LETTER OF REPRESENTATION 2022/23**

The Strategic Director for Corporate Resources presented the Management Letter of Representation 2022/23 making the following points:

- the purpose was to ensure management understand and perform their duty; and
- the 2022/23 letter required approval in order to be signed.

In response to Members' questions the Strategic Director for Corporate Resources made the following points:

- Guildhall Shopping Centre maybe reclassified to operational but not yet;
- it would be premature to say that reclassification would be likely; and
- market value is known so would remain the same materially;

The Audit and Governance Committee agreed to approve and sign the Management Letter of Representation 2022/23.

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

The Strategic Director for Corporate Resources presented the report which advised the Audit and Governance Committee of the Council's risk management process and presented the updated Corporate Risk Register, which the Audit and Governance Committee was responsible for the monitoring and reviewing of the Council's risks.

In presenting the report the Strategic Director for Corporate Resources made the following points:

- that SMB and Portfolio Holders had reviewed the Register;
- there were no significant changes; and
- that the Corporate plan was being reviewed.

In response to questions from Members, the Chief Executive and Strategic Director for Corporate Resources made the following points:

- that dates could be added to tracking comments;
- the Council's aspiration was to reach net zero by 2030;
- workforce plans were in place which mitigated the risk thus reduced the score;
- in addressing city infrastructure work needed was acknowledged but a new team was in place who would look to address this; and
- cyber security was flagged for SMB to look at, after which more detail would likely be added.

Councillor Moore proposed and Councillor Palmer seconded that Executive be

requested to review mitigation and control of risk to heritage assets within the Council's control.

During debate on the motion Members made the following points:

- heritage assets were protected but a developer had damaged and not repaired part of the city wall;
- supported a way to acknowledge the need to protect the city wall but not sure that all damage could be prevented;
- being public about consequences for damage may dissuade some;
- it would be good to have reassurance that steps are being taken; and
- the heritage assets record was out of date.

The Chief Executive commented that services would monitor and report on all assets and not only those which were heritage assets.

Following a vote the motion was **NOT CARRIED**.

Members' commented on the risk surrounding brownfield sites, the need for government funding and that some risks were not able to be mitigated due to being out with the Council's control.

The Audit and Governance Committee considered the Corporate Risk Register and following a vote recommended it to Executive.

(The meeting commenced at 5.33 pm and closed at 7.22 pm)

Chair

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