

## **AUDIT AND GOVERNANCE COMMITTEE**

Date: Wednesday 28 September 2022  
Time: 5.30 pm  
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Sharon Sissons, Democratic Services Officer on 01392 265115.

Entry to the Civic Centre can be gained through the rear entrance, located at the back of the Customer Service Centre, Paris Street.

### *Membership -*

Councillors Wardle (Chair), Moore, D (Deputy Chair), Allcock, Branston, Ellis-Jones, Leadbetter, Mitchell, M, Packham, Rees, Snow, Sutton and Warwick

### Agenda

#### **Part I: Items suggested for discussion with the press and public present**

1 **Apologies**

To receive apologies for absence from Committee Members.

2 **Minutes**

To approve and sign the minutes of the meeting held on 27 July 2022.

(Pages 3 -  
10)

3 **Declaration of Interests**

Councillors are reminded of the need to declare any discloseable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion on the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

4 **Local Government (Access to Information ) Act - Exclusion of Press and Public**

It is considered that the Committee would be unlikely to exclude the press and public during the consideration of the items on this agenda, but if it should wish to do so, then the following resolution should be passed:

"**RECOMMENDED** that, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the particular item(s) of business on the grounds that it (they) involve the likely disclosure of exempt information as defined in the relevant paragraph(s) of Part 1, of Schedule 12A of the Act."

5 **External Audit Progress Report and Sector Update**

To consider the report of the External Auditor (Grant Thornton).

(Pages 11  
- 24)

6 **Internal Audit Progress Report Quarter 1**

To consider the report of the Audit Managers.

(Pages 25  
- 38)

7 **Review of Corporate Risk Register**

To consider the report of the Chief Executive & Growth Director.

(Pages 39  
- 50)

**Date of Next Meeting**

The next **Audit and Governance Committee** will be held on Wednesday 30 November 2022 at 5.30 pm in the Civic Centre.

Find out more about Exeter City Council by looking at our website <http://www.exeter.gov.uk> . This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on 01392 265107 for further information.

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## AUDIT AND GOVERNANCE COMMITTEE

Wednesday 27 July 2022

### Present:-

Councillor Tony Wardle (Chair)  
Councillors Moore, D, Allcock, Ellis-Jones, Leadbetter, Mitchell, M, Packham and Sutton

### Also Present

Director Finance, Audit Manager (HK) , Service Lead - Net Zero and Business, Net Zero Project Manager, Housing Needs Strategy and Partnership Lead and Democratic Services Officer (SLS)

Julie Masci – Engagement Lead, External Auditors (Grant Thornton)

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### MINUTES

The minutes of the meeting held on 9 March 2022 were taken as read, approved and signed by the Chair as correct.

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### DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

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### EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Engagement Lead, Grant Thornton presented the Audit progress and sector update, which detailed the programme of external auditor's work that had been undertaken as at 31 March 2022. They had undertaken an audit of the Council's financial statements with the additional responsibility specifically around the Value for Money work (VfM), of the Council's arrangements for the best use of resources, and provided a general sector update to understand issues relating to the local government community, as well as any national issues of relevance.

The final Audit findings report for 2020/21 was now complete, with the Audit opinion signed as planned. They were now planning for the 2021/22 audit, which included identifying the risk assessments in readiness for the final audit of the financial statements, with the draft accounts now submitted for audit. Some initial planning had been carried out for the VfM audit, but work on the 2020/21 VfM audit was ongoing, with the risk assessment not finalised until that work had been completed. The 2020/21 VfM work was concluded on 27 July, and the final report would be issued to the Council for comments from management shortly. It was noted the required three month timescale had not been met, to give due consideration to additional correspondence received from local electors within the area. A formal report on this would be presented to the next meeting of the Audit and Governance Committee.

In responding to a Member's question, the Engagement Lead, confirmed there were financial implications in dealing with such questions and the nature of the issues were already included under the VfM work being undertaken as part of a specific duty of the Code of Audit Practice. The final audit fee was determined by the Public Sector Audit Appointments (PSAA).

The Audit and Governance Committee noted the Progress Report and Sector Update.

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### **EXTERNAL AUDIT PLAN 2021/22**

The Engagement Lead, Grant Thornton presented the proposed External Audit Plan from Grant Thornton for the year ending 31 March 2022, which detailed an overview of the planned level and scope of the statutory audit, and highlighted a number of areas of work which included:-

- the preparation of the City Council and the group accounts;
- the more detailed review of accounting estimates, which was introduced as a revision to the audit standards last year within the International Auditing Standards (ISA540);
- the commissioning of external valuers to carry out work in relation to the Council's land and buildings used to run the Council's services ;
- pension's liability; and
- the principle of materiality, which offered a true and fair view and overall position of the accounts. The materiality level for the Council was set at £2.4 million of consolidated accounts to the Group, and £2.1million in terms of the Council's accounts. An update on the Value for Money (VfM) arrangements would be included in subsequent progress reports.

In response to a Member's question the Engagement Lead stated the following:—

- the Audit Code requirement covered three key areas as part of the Value for Money work for the Council's operations which included financial sustainability (setting the budget and longer term medium term financial planning) and governance (day to day monitoring and budget outturn reporting to the Executive);
- ensuring economy, efficiency and effectiveness;
- External Audit would follow an appropriate line of enquiry if specific concerns were raised over any project that had not adhered to proper governance or procurement procedures, rather than meeting its Capital Programme requirements; and
- a due process would have been undertaken following any asset disposal or transfer to an outside organisation. Audit testing would be undertaken with the expectation that the value would be included within the accounts, but how the Council utilised their assets was a decision ultimately for the Council.

The Audit and Governance Committee noted the External Audit Plan for the year ending 31 March 2022.

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### **INFORMING THE AUDIT RISK ASSESSMENT**

The Director Finance presented the completed questionnaire for Grant Thornton, which set out responses from the City Council to help inform the risk assessment of Exeter City Council as part of the planned audit process. He thanked colleagues from the finance teams, the internal audit team and legal services for their collective contributions covering a number of service areas to fulfil such an important part of the Audit process. They had compiled responses to over 50 questions to offer an understanding of the Council's management processes and oversight in the following areas:-

- General Enquiries of Management,

- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

The Director Finance responded to Members' questions:-

- this was the third year of reporting in this format and the Auditor's comments were not normally included, however the External Auditor would use this focus of resources on any area and complete their External Audit Findings Report.
- Exeter City Futures were noted as a Related Party in the Group's consolidated accounts. The total balance sheet and turnover of Exeter City Futures was not deemed to be material and so were not included within the focus on the Council's group accounts, but they would be included in the accompanying notes, because the Council has a significant interest within the company. He acknowledged the comments made by the Member in respect of significant officer time and funding received through the Council. He clarified that the funding which had come from the City Council to Exeter City Futures was disregarded in the group accounts as an inter-group transfer.

The Engagement Lead, Grant Thornton referred to audit materiality as a percentage of expenditure, which can vary from year to year and not a defined benchmark. If further scrutiny was required, then the benchmark could be lowered, which would result in further testing.

The Audit and Governance Committee noted the responses given in respect of the Audit Risk Assessment report.

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### **ANNUAL REPORT OF INTERNAL AUDIT FOR THE YEAR TO 31 MARCH 2022**

The Audit Manager (HK) presented the Annual Internal Audit report for the year ending 31 March 2022, which conformed to the Public Sector Internal Audit Standards and was timed to inform the Council's Annual Governance Statement. All Audit assurances that have been issued throughout the year had all been satisfactory or above and she was pleased to report that management responses to all internal Audits findings had been positive.

The Audit Manager drew Members' attention to key points within the report:-

- Section 2 - offered the overall opinion of the circulated report, with confirmation that key systems were operating satisfactorily with no fundamental breakdown of control resulting in material discrepancy.
- Section 3 - highlighted three key issues to be included in the Annual Governance Statement (AGS), these being the Council's financial position, Net Zero 2030 and Change management as part of the AGS. These areas will be subject to quarterly monitoring by the Audit and Governance Committee with an update on any actions identified.
- Section 4 - included a summary on the delivery of the Annual Audit Plan 2021/22 and included an outcome of all the audits undertaken in the year. A copy of any of the completed audit reports could be provided to Members upon request.
- Section 5 - offered a summary of investigations that have been undertaken throughout the year. It included confirmation that there were no instances of the Whistleblowing Policy being used.

- Section 6 - included confirmation of the results of their Quality Assurance and Improvement Programme. This included a summary of the returned responses of a stakeholder's survey which was attached as a conclusion to the report.

In response to Members' questions, the Audit Manager explained:-

- two Audit opinions were issued in respect of the People Management audit, one was issued to the Payroll Manager for areas identified within his control and one opinion was issued in respect of areas outside his control i.e. the responsibility of management. All responses received on both reports were satisfactory.
- the scoring mechanism and the categories of assurance used to provide an overall audit opinion. Internal Audit's role was to provide assurance to management that the control environment was sound. They had never issued a report categorised as no assurance.
- the Whistleblowing Policy was included on the agenda for review which hopefully may encourage staff to report any concerns if they have any. Details of the protection available under the policy were regularly communicated to staff, although to date was rarely used. This may be because staff had no concerns or it may be that they did not feel confident in reporting those concerns under the policy.

In response to a Member's question, the Director Finance explained that it was not a role for Internal Audit to look at the viability of a service, and they were involved with the system of internal control. The example quoted of leisure facilities was a Council decision to determine viability and levels of income. If during the budget monitoring process the income was found to be significantly lower than anticipated income targets, it would be reported to Members for the appropriate action.

The Audit and Governance Committee noted the Annual Audit Report for the year ended 31 March 2022.

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### **REVIEW AND UPDATE OF WHISTLEBLOWING POLICY**

The Audit Manager (HK) presented the report which proposed a review and update of the Council's Whistleblowing Policy which needed to be considered every two years to ensure that it remained up to date and fit for purpose. The Policy included two minor amendments as detailed in the report which included a change to the wording to make every effort to encourage reporting from staff and the name of the Independent Charity Public Concern at Work had been changed to Protect. The updated Whistleblowing Policy was attached as an appendix dated April 2022.

The Audit Manager responded to a Member's comment and advised that a report on the use of the Whistleblowing policy was included as part of the annual report within Section 5, but confirmed that there had been no cases reported.

**RECOMMENDED** that Council be requested to approve the revised Whistleblowing Policy, dated April 2022, which was attached to the circulated report, and the Constitution amended accordingly.

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### **ANNUAL GOVERNANCE STATEMENT 2021/22**

The Director Finance presented the report accompanying the Annual Governance Statement and set out key issues, the responses and a summary of action. The Annual Governance Statement would accompany the Council's Statement of Accounts for 2021/22. The Governance Statement was a statutory requirement and

reported on the Council's performance against the Code of Corporate Governance which was last approved on 9 March 2022. The Council's Code of Governance was subject to a review part way through the year as part of an updated Code of Corporate Governance for 2022/23.

In response to a Member's questions, the Director Finance noted that a reference in the Annual Governance Statement to the Net Zero 2030 target related to the Council and set out the summary of any action to be taken in response to that. He also responded to a proposal for the inclusion of the Consultation Charter which was approved last year in the document.

The proposal was seconded and carried that the Consultation Charter be included in the Annual Governance Statement and listed in the column marked Corporate under the Corporate Governance Section of the Statement.

**RESOLVED** that the Audit and Governance Committee approve the Annual Governance Statement of Accounts for 2021/22, and be signed (at the earliest possible convenience) by the Director Finance & Section 151 Officer and the Chair of the Audit and Governance Committee and included within the Council's Annual Statement of Accounts for 2021/22; and

**RECOMMENDED** to Council to note and approve the Annual Governance Statement with the reference to the Consultation Charter, included within the Council's Annual Statement of Accounts for 2021/22.

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#### **HOMES ENGLAND COMPLIANCE AUDIT**

The Housing Needs Strategy and Partnership Lead, presented a report which provided positive feedback from a recent Compliance Audit carried out by Homes England. The Compliance Audit was a requirement of funding awarded to the Council from the Department of Levelling Up, Housing and Communities to purchase properties to create accommodation for rough sleepers under the Next Steps Accommodation Programme. The funding was used to purchase five, one bedroom former council properties which were brought back into Council ownership and a six bedroom house which is currently leased out to a Homelessness Provider

The Compliance Audit was undertaken by an Independent Auditor, Thomas Westcott Chartered Accountants, in September 2021 and their findings and recommendations were presented to Homes England. The circulated report is an acknowledgement, from Homes England, of that Independent Audit.

The Audit and Governance Committee acknowledged and noted the content of the report.

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

The Audit Manager (HK) presented the report which advised the Audit and Governance Committee of the Council's risk management process and provided an update of the Corporate Risk Register to enable the Committee to monitor and review the Council's risks.

Changes to the following risks were proposed with updates provided from the Strategic Management Board (SMB):-

- Risk 1 - Failure to deliver anticipated benefits of major projects

As St Sidwell's Point had now been delivered, it had been agreed by SMB to remove this risk.

Risk 2 - Insufficient business continuity arrangements to recover critical services effectively - SMB had agreed that this item has been mitigated to low risk and be removed but continue to be managed as part of the Executive Support Operational Risk Register.

- Risk 3 - Inability to deliver Carbon Net Zero aspirations for Exeter by 2030 (External)

This risk related to Exeter City (as a whole) becoming Net Zero by 2030 and was a separate target and risk devolved to Exeter City Futures (ECF). It is intended that ECF will produce and manage a Risk Register against this target for the City which can be appended to the Council's Corporate Risk Register as a separate register.

A new Risk was added at:-

- Risk 9 - Inability to deliver Carbon Net Zero aspirations for Exeter City Council operations by 2030 (Internal) This risk is now the subject of a separate Risk Register which is being presented to this meeting of the Audit and Governance Committee. Further updates will be made half yearly.

The Director Finance responded to Members' questions on the following risks:-

- Risk 1 - Failure to deliver anticipated benefits of major projects  
St Sidwell's Point (SPP) has been a major project in terms of size and importance to the Council. A major project is defined as a significant capital project and being of key importance to the Council. Such projects also tended to have a Governance structure around it, as there were reputational as well as associated financial risks to the Council, which is why it was specifically included on the Risk Register. There could be other projects that come forward and will be included on the Risk Register in the future.
- Risk 3 - Inability to deliver Carbon Net Zero aspirations for Exeter by 2030 (External)  
The Director Finance would obtain a formal response to an enquiry directed to the Risk Owner for the External Carbon Neutral Risk Register, which will be appended to the Council's Corporate Risk Register, as to the accountability to this Committee for its contents.
- Risk 4 - Failure to meet Exeter's Housing supply needs as a planning authority and meet strategic 5 year ambitions  
the Audit Manager would seek a meeting with the Risk Owner of Risk 4 to discuss the information included, in the light of the Redhills Appeal determination published in February 2022.

A Member raised a number of points in relation to Risk 3, set out for information, and a response would be requested from the Risk Owner:-

- in referencing the Greenhouse Gas Inventory report recently presented at Committee, despite the actions of the Council's mitigation activities, there was little evidence that had been sufficiently articulated.
- the adoption of Net Zero 2030 as a Council policy belonged to the Council as well as any other organisation that might wish to adopt it. However, there was a lack of clarity of ownership and accountability in respect of the Council focus on the operations of the city wide Net Zero Plan. The Audit Manager in response to a further comment was able to confirm that the detail of this risk would continue to be included, and it would not be appropriate to remove that until the separate Risk Register document was in place.

The Director Finance also responded to the following Member's comments:-

- Risk 8 - Failure to deliver the Liveable Exeter Programme the Exeter Development Fund does not currently pose a risk to the Council because the proposal was still at the concept stage. Although the matter was being discussed at a number of meetings of the Combined Scrutiny Committees, Members would need to consider any formal proposition through the Executive and Full Council. There would have to be a thorough review and decision to include on the Risk Register depending on what was being asked of the Council.

The Audit Manager referred to a discussion by Members that individual Risk Owners be invited to the Audit and Governance Committee to make a short presentation on their Risk area and provide an opportunity to discuss the risk in more detail. It was suggested that the Director Corporate Services or their representative, as Risk owner for *Risk 5 - Failure to adapt Council workforce to ensure appropriate skills and experience* be invited to the next meeting to offer the opportunity to provide more information to Members.

The Audit and Governance Committee reviewed and noted the updated Corporate Risk Register and agreed that the identified owner of the individual Risks on the Corporate Risk Register be invited to future meetings to provide an opportunity to discuss in more depth, the nature of that risk.

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### **CITY COUNCIL NET ZERO RISK REGISTER**

The Net Zero Project Manager presented the report, which advised the Audit and Governance Committee of the City Council's Net Zero Risk Register, which was attached as an appendix to the report. The Register identified five risks, as set out below, which offered an initial high level assessment of the risks associated with delivering Net Zero within the City Council by 2030.

- Risk 1 - Too ambitious target to reduce City Council carbon emission to 'net zero' by 2030.
- Risk 2 - Unable to reduce City Council Scope 1 direct emissions from owned sources (fuel consumption and company vehicles).
- Risk 3 - Unable to reduce City Council Scope 2 indirect emissions from generation of purchased energy.
- Risk 4 - Unable to reduce City Council Scope 3 other indirect emissions (supply chain, assets, investment, waste disposal, employee commuting).
- Risk 5 - Afforestation - land use changes to offset carbon emissions.

The Net Zero Risk Register sets out the risks involved associated with measures required to reduce carbon emissions within the City Council, including its services, operations and buildings. The register will be updated on a six monthly basis in line with the Council's Net Zero Carbon Reduction Plan. The report also set out the detail of a carbon baseline report for the City Council which will set out a number of actions for the delivery of Net Zero, which would be presented to the Strategic Scrutiny in September 2022.

The Net Zero Project Manager responded to the following Member's comments:-

- Exeter City Council's outputs, and overall carbon emissions were less than other large organisations in the City, however the Council had an important role to play in influencing and supporting the city in its delivery of Net Zero by 2030.

- further work would be undertaken to ensure the Risk Register contained climate change adaptation measures, as well as mitigation as set out in the National Audit Office Climate Change Risk Good Practice Guide.
- work had been taking place with the Local Government Association (LGA) to share ideas on reporting and how to tackle Scope 3 Emissions, to record in a more meaningful way and bring down embodied emissions through procurement.
- work was being undertaken to ensure that a consistent and uniformed approach was being taken on Greenhouse Gas reporting. Exeter City Council was already working collaboratively with other District Councils in Devon as part of the Devon Districts CO2 Baseline Commission.
- the Net Zero team were engaging with Services to ensure policies reflected climate change and supported the Net Zero actions set out in the Net Zero Carbon Reduction Plan.

In response to a Member's comment, the Service Lead - Net Zero and Business also confirmed that two members of the team had received carbon literacy training and were now qualified to deliver the necessary training internally without any further cost. They had devised a training programme to support Committee report authors to complete the *impact of carbon reduction* section in reports to ensure a meaningful and consistent approach.

The Audit and Governance Committee reviewed and noted the Net Zero Risk Register, which would also be reported to Strategic Scrutiny Committee on a regular basis.

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

Chair

# Exeter City Council Audit Progress Report and Sector Update

Year ending 31 March 2022

September 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## Your key Grant Thornton team members are:

### Julie Masci

Key Audit Partner

T 0292 034 7506

E julie.masci@uk.gt.com

### David Johnson

Audit Manager

T 0117 305 7727

E david.a.Gavrias@uk.gt.com

This paper provides the Audit & Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit & Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at September 2022

## Financial Statements Audit

We undertook our initial planning for the 2021/22 audit in January 2022, and interim audit in June and July. We expect to begin our work on your draft financial statements in September.

Our interim fieldwork includes:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements
- Early work on emerging accounting issues

The results of our work to date are included in this report.

We have presented a detailed audit plan to this Committee, setting out our proposed approach to the audit of the Authority's 2021/22 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the reporting deadline of 30 November and will keep management and members up to date with any issues identified

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. The Department for Levelling Up, Communities and Housing (DLUHC) have now issued secondary legislation extending the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts.

This is enacted by The Accounts and Audit (Amendment) regulations 2022 (SI 2022 No. 708) that comes into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 is extended to 30 November 2022 and thereafter

changed to 30 September for years up to 2027/28.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

## 2020/21

We have completed our review of the Council's arrangements and have prepared a draft Annual Auditor's Report that was shared with the Council on 1 August 2022. We are awaiting final management responses to this report and will present our report to the Council's Audit and Governance Committee once finalised.

# Progress at July 2022 (cont.)

## 2021/22

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. We anticipate issuing our Auditor's Annual Report in January 2023.

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## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim was completed on 28 February 2022. The certification work for the 2021/22 claim is due to begin in October. We will report our findings to the Audit and Governance Committee.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The certification work for the 2020/21 return was completed on 3 February 2022. The certification work for the 2021/22 return is due to begin in October.

## Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2022, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

# Audit Deliverables

## 2021/22 Deliverables

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.

**Planned Date**

July 2022

**Status**

Completed

### Interim Audit Findings

We will report to you the findings from our interim within our Progress Report.

September 2022

Completed

### Audit Findings Report

The Audit Findings Report will be reported to the November Audit and Governance Committee.

November 2022

Not yet due

### Auditors Report

This includes the opinion on your financial statements.

November 2022

Not yet due

### Auditor's Annual Report

This Report communicates the key issues arising from our Value for Money work.

January 2023

Not yet due

## 2021/22 Audit-related Deliverables

### Housing Benefit Subsidy – certification

This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.

**Planned Date**

January 2023

**Status**

Not yet due

### Pooling of housing capital receipts - certification

This is the report we submit to the Department for Levelling Up, Housing and Communities (“DLUHC”). based upon the mandated agreed upon procedures we are required to perform.

February 2023

Not yet due

# Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	<b>Work performed</b>	<b>Conclusions and recommendations</b>
<b>Internal audit</b>	We have reviewed internal audit's work on the Authority's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	Our work has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements.
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Authority's controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Authority in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
<b>Journal entry controls</b>	We have reviewed the Authority's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Authority's control environment or financial statements.	<p>A recommendation on journal authorisation was raised in the 2020-21 ISA260 report to which management have responded. We have yet to undertake the work to identify if this issue has been addressed and will report any findings to members.</p> <p>No other issues have been identified</p>

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Response to local audit consultation – Department for Levelling Up, Housing and Communities (“DLUHC”)

The Department for Levelling Up, Housing and Communities (“DLUHC”) has published its response to the local audit consultation. This follows the “Redmond Review”, which reported in September 2020.

The response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA’s establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022.

The consultation response also announces:

- Plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.
- ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice (from the National Audit Office).
- A post-implementation review of the new Value for Money arrangements. The Code is a key part of the local audit system, and it is important to ensure that it helps to facilitate effective local audit. To allow time for the new arrangements to bed in the response proposes this is completed within three years.

The full response can be found here:

[Government response to local audit framework: technical consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/government-response-to-local-audit-framework-technical-consultation)



# Levelling up White Paper – Department for Levelling Up, Housing and Communities (“DLUHC”)

On 2 February the Department for Levelling Up, Housing and Communities (“DLUHC”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

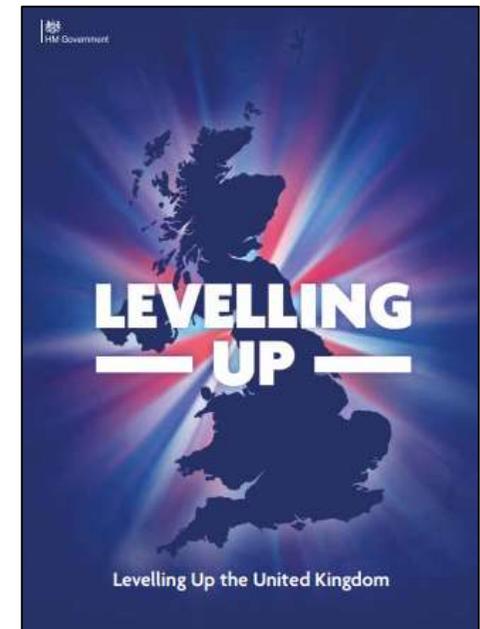
- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)  
([www.gov.uk](https://www.gov.uk))



# Grant Thornton – reaction to Levelling up White Paper

On 2 February the Department for Levelling Up, Housing and Communities (“DLUHC”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”

# Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

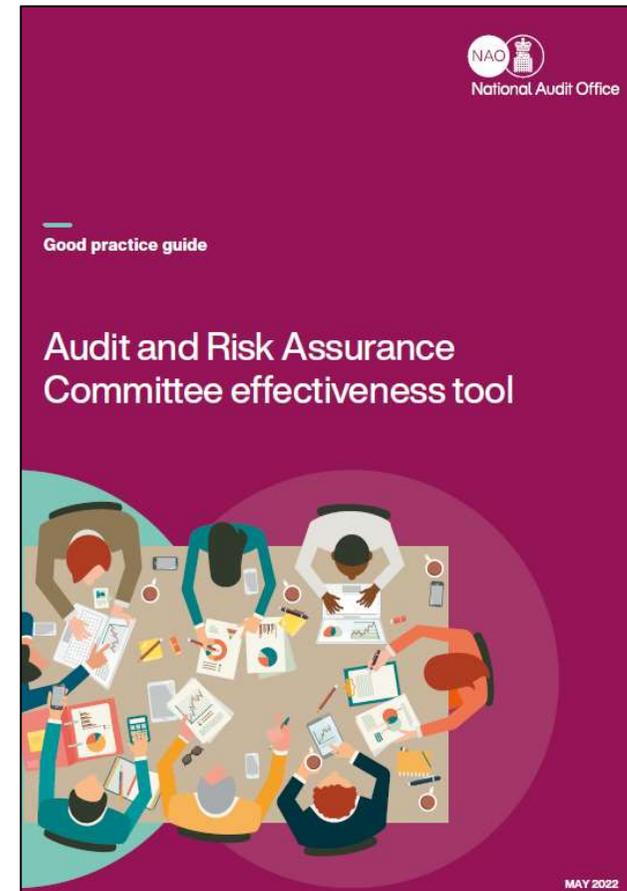
Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:

[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)



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## REPORT TO AUDIT & GOVERNANCE

**Date of Meeting:** 28 September 2022

**Report of:** Audit Manager

**Title:** Internal Audit Progress Report 1st Quarter - 1<sup>st</sup> April TO 30<sup>th</sup> June 2022

### Is this a Key Decision?

No

### Is this an Executive or Council Function?

Council

## 1. What is the report about?

1.1 To report on internal audit work carried out during the period 1<sup>st</sup> April to 30<sup>th</sup> June 2022, to advise on overall progress against the Audit Plan and to report any emerging issues requiring consideration.

## 2. Recommendations:

2.1 That the Internal Audit Progress Report for the first quarter of the year 2022/23 be noted; and

2.2 That the Committee consider what action if any should be taken in respect of the Internal Audit recommendation in paragraph 8.1.

## 3. Reasons for the recommendation:

3.1 One of the roles of this committee is to review quarterly internal audit reports and the main issues arising and seek assurance from management that action has been taken, where necessary.

## 4. What are the resource implications including non-financial resources:

4.1 None

## 5. Section 151 Officer Comments:

5.1 Members will note the additional recommendation in the report. It is the Committee's responsibility to determine whether it accepts management's response or whether it requires further consideration by management of the recommendation. The Committee has the right to call management before it to explain their reasoning if required.

## 6. What are the legal aspects?

6.1 None identified.

## 7. Monitoring Officer Comments:

7.1 Attention is drawn to the Section 151 Officer's comments above relating to the responsibilities of the Committee in determining the acceptability of management's responses to the results of internal audits.

John Street (Deputy Monitoring Officer)

## 8. Report details:

This Committee is responsible for the implementation and active monitoring of audit processes and actions, which includes performance against the annual audit plan, reviewing quarterly internal audit progress reports and seeking responses and assurance from management where remedial action has not been agreed or implemented within a reasonable timescale. The 2022/23 Audit Plan was approved at this Committee on 9th March 2022.

The purpose of internal audit is to provide an independent, objective assurance and consulting service designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit Service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. Each of the activities we audit are given an assurance rating as follows:

Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met
Satisfactory Assurance	Whilst there is a basically sound system of internal control there are weaknesses which put some of the objectives at risk or there is evidence that the level of non-compliance with some of the controls may put some of the objectives at risk
Limited Assurance	Weaknesses in the system of internal controls are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No assurance	Control is generally weak leaving the system open to error or abuse or significant non-compliance with basic control processes leaves the processes/systems open to error or abuse

### 8.1 Work Undertaken

Internal Audit's objective is to examine the Council's financial and non-financial systems to check that there are adequate internal controls in place to prevent loss due to frauds, errors and inefficiency, and due attention is paid to corporate governance and risk management.

A summary of progress against the annual audit plan to date is shown at Appendix A, together with the current status of each area for review and the outcomes of the review, where completed.

I am pleased to report that the majority of agreed actions from previous audit reports are being progressed satisfactorily. However, there is one high risk recommendation relating to the Business and Commercial follow up report where this has not been agreed. In accordance with the terms of reference of this committee, this committee is required to consider this matter. The details are as follows:

**Commercialisation Audit (July 2021) Follow-up report dated 18.05.22**

*Issue originally reported:*

*The strategy states that trading activity will be reviewed every 6 months. There is currently no formal regular monitoring process of commercial activity in place by the Senior Management Board or Members.*

**Manager's response (July 2021):**

*This will be actioned, with updates diarised for Scrutiny Update, which will also be shared with SMB*

- *Monday 18 October 2021*
- *Monday 11 April 2022*

**The follow-up found that:**

*Regular reports were scheduled to go to Strategic Scrutiny and a copy of the presentation that was provided to the Committee on 18<sup>th</sup> November 2021 was provided by the Commercial Manager. However, it has been noted that the January Strategic Scrutiny Committee was cancelled and the dates of the meetings have been changed. The updates appear to have been scheduled for 6 monthly basis. Consideration should be given to providing updates to the committee more frequently than twice a year.*

**It was further recommended that:**

*In view of the importance of the success of commercialisation to the Council in order to support the Council's future budget plans, the scrutiny and monitoring of Commercialisation could be improved further. Currently monitoring reports are scheduled to go to Strategic Scrutiny on a six monthly basis. Consideration should be given to reporting to Strategic Scrutiny more frequently. Consideration should also be given to including review of progress of commercialisation as a standing item on the SMB monthly agenda.*

*The recommendation for more frequent monitoring by Scrutiny and SMB was not agreed.*

Progress against the annual audit plan is on target.

## **8.2 Progress report on 'high' risk issues and remedial action agreed**

During the first quarter of 2022-23, one 'high' risk issue was identified and remedial action agreed as follows:

## Building Greater Exeter Partnership

Issue identified	Remedial Action agreed	Target Date	Notes on progress
The Terms of Reference does not specify the arrangements for allocating the assets and liabilities in the event of the termination of the partnership.	The Skills & City Inclusivity Manager will arrange for a termination 'clause' to be included in the ToR.	30.09.22	This will be followed up prior to the November meeting.

### 8.3 Governance Issues

The Council's annual governance statement (AGS) includes some significant governance issues and an action plan has been compiled which will be subject to regular monitoring by the Audit and Governance Committee.

The action plan of the issues identified has been included in Appendix B.

## 9. How does the decision contribute to the Council's Corporate Plan?

9.1 Good governance contributes to the Council's purpose of a "Well Run Council".

## 10. What risks are there and how can they be reduced?

N/A

## 11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equality Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only

## **12. Carbon Footprint (Environmental Implications)**

12.1 No direct carbon/environmental impacts arising from the recommendations.

## **13. Are there any other options?**

N/A

**Helen Kelvey/Helen Putt**  
**Audit Manager**

**Local Government (Access to Information) Act 1972 (as amended)**  
**Background papers used in compiling this report:**  
None

Contact for enquiries:  
Democratic Services (Committees)  
Room 4.46  
01392 265115

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**EXETER CITY COUNCIL  
AUDIT AND GOVERNANCE COMMITTEE**

**PROGRESS OF 2022-23 AUDIT PLAN TO DATE**

Please note that this is a summary of remedial action agreed, as to include all actions agreed from each audit report in detail would result in a lengthy document. Members may request a full copy of any report once finalised or alternatively meet with the Audit Manager to discuss specific audits further.

<b>Audit Review</b>	<b>Report Status</b>	<b>Overall Opinion</b>	<b>Direction of travel since last audit</b>	<b>No. of Findings &amp; Remedial Action Agreed (High Risk only)</b>	<b>Summary (where completed within this quarter)</b>
IT/STRATA	In progress				
Main Accounting					
Income Management					
Procurement					
Creditors					
People Management					
Elections & Electoral Registration	In progress				
Private Sector Landlord Services					
Better Care Fund Grant (DFG & Warm Up Grants)	Final	Substantial Assurance		2 Medium 2 Low	<p>If a house owner or someone living in their property is disabled, they may qualify for a disabled facilities grant towards the cost of providing adaptations and facilities to enable the disabled person to continue living there.</p> <p>The Regulatory Reform Order 2002 provides Councils with the discretion to develop schemes to provide financial assistance to deal with a range of housing issues. The Council has a Financial Assistance Policy, developed in association with DCC and all the district councils in the county, which helps people meet their needs without going through the full DFG process. One of the measures included in policy is to use the Better Care fund to award warm up grants.</p> <p>Warm up grants (up to a maximum of £2k per property) provide:</p>

Audit Review	Report Status	Overall Opinion	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
					<ul style="list-style-type: none"> <li>• top up funding for energy efficiency measures where energy providers are part funding energy efficiency measures under their Energy Company Obligation (ECO) or</li> <li>• to fund energy efficiency measures which do not attract Energy Company Obligation which do not attract Energy Company Obligation, for example, insulation to mobile homes and the installation of central heating for the first time.</li> </ul> <p>The Scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Applications, eligibility &amp; approval of applications</li> <li>• Estimates &amp; Works (for DFGs)</li> <li>• Checks on new suppliers &amp; supplier</li> <li>• Payments</li> <li>• Monitoring of grant income</li> <li>• Performance</li> </ul> <p>Remedial action was agreed with management for all findings identified.</p>
Waste and Recycling	Draft Report				
Building Greater Exeter (BGE)	Final	Satisfactory Assurance	No previous audit	1 High 3 Medium 2 Low	<p>The BGE Partnership was formed on 1st September 2018 and consists of the Council as host, along with partners from the private, public, education and private training provider sector organisations. The Governance Structure is made up of a Steering Group and a Project Partners Group along, with a network of other contributors.</p> <p>Members of the Steering and Project Partners Group make contributions to BGE, the value of which is based upon their turnover.</p> <p>The scope of the audit included;</p> <ul style="list-style-type: none"> <li>• assessing BGE's Terms of Reference (dated March 2021) against a partnership self-assessment document published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and</li> <li>• reviewing BGE's income and expenditure to check that the transactions have been processed in accordance with the Terms of Reference.</li> </ul> <p>Remedial action was agreed for all issues identified. For details of the 'high' risk issue raised please see section 3.2 on report.</p>

<b>Audit Review</b>	<b>Report Status</b>	<b>Overall Opinion</b>	<b>Direction of travel since last audit</b>	<b>No. of Findings &amp; Remedial Action Agreed (High Risk only)</b>	<b>Summary (where completed within this quarter)</b>
Climate Change/Net Zero Exeter					
Commercialisation and Project Management					
Sport England – Wellbeing Exeter					
Communications – Social Media	Draft Report				
Leisure Facilities					
Housing Benefit Subsidy	Draft Report				
Council Tax					
Sundry Debtors	Draft Report				
Health & Safety					
Equalities and Diversity					
Risk Management					
Business Continuity					
Contract Management	In progress				
External Grants/Funding received					
Safeguarding					
Performance Management					
Exeter City Living					
Covid related work/Post assurance:					Internal Audit are required to conduct post award assurance testing on all government grants as a result of the Covid19 pandemic.
Omicron	Final	Substantial Assurance	N/A	1 Medium	
Test & Trace Support	Final	Substantial Assurance	N/A	No matters arising	

<b>Audit Review</b>	<b>Report Status</b>	<b>Overall Opinion</b>	<b>Direction of travel since last audit</b>	<b>No. of Findings &amp; Remedial Action Agreed (High Risk only)</b>	<b>Summary (where completed within this quarter)</b>
Review of Hospitality/Disclosures					

**Audit reports issued during 2022/23 relating to the 2021/22 Year**

<b>Audit Review</b>	<b>Report Status</b>	<b>Overall Opinion</b>	<b>Direction of travel since last audit</b>	<b>No. of Findings &amp; Remedial Action Agreed (High Risk only)</b>	<b>Summary (where completed within this quarter)</b>
Health & Safety – Hand Arm Vibration Syndrome	Final	Satisfactory	No previous audit	7 Medium 1 Low	<p>This audit is looking at how the Council deals with the risk to its staff of developing Hand Arm Vibration Syndrome (HAVS).</p> <p>The symptoms of HAVS, which include pain in cold weathers and permanent loss of sensation, can creep up gradually but the damage cannot be reversed. It is therefore imperative that early preventative action is taken.</p> <p>The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate the risks relating to HAVS.</p> <p>The scope of this audit included a review of</p> <ul style="list-style-type: none"> <li>• Job descriptions and pre-employment checks</li> <li>• Induction, training and refresher training</li> <li>• Annual health checks</li> <li>• Plant, machinery, tool inventory</li> <li>• Controls in place to comply with the Control of Vibration at Work Regulations 2005 - TOOLS</li> <li>• Controls in place to comply with the Control of Vibration at Work Regulations 2005 - STAFF</li> <li>• Corporate Risk Register/Health &amp; Safety Risk Register</li> <li>• Risk Assessments</li> </ul> <p>Remedial action has been agreed for all issues identified.</p>
Planning – Community Infrastructure Levy (CIL) and Section 106 Agreements	Final	Satisfactory	No previous audit opinion	10 Medium 3 Low	<p>The Community Infrastructure Levy is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. It came into force on 6 April 2010 through the Community Infrastructure Regulations 2010.</p> <p>The scope of the CIL testing included:</p>

					<ul style="list-style-type: none"> <li>• identification and recording of CIL</li> <li>• calculation of CIL</li> <li>• issue of liability notices and land registry notification</li> <li>• monitoring the commencement of a development, houses etc.</li> <li>• issue of demand notice and debtor's notice</li> <li>• recovery of outstanding CIL invoices</li> <li>• recording and spending of CIL income</li> </ul> <p>Section 106 are planning obligations agreements entered into between the Council and developers usually in conjunction with the granting of planning permission. Planning obligations apply to land, binding it and whoever owns it. They are made using powers under section 106 of the Town and Country Planning Act 1990, which is why they are called "section 106 agreements".</p> <p>The scope of the s206 testing included:</p> <ul style="list-style-type: none"> <li>• identifying planning obligations</li> <li>• legal process and drafting of s106 agreements</li> <li>• recording and monitoring of s106 agreements and trigger points</li> <li>• monitoring and recovery of financial obligations</li> <li>• monitoring receipt of non-financial obligations</li> <li>• procedures for ensuring that when the funds are received from the developer the projects being funded actually happen on a timely basis</li> <li>• enforcement</li> </ul> <p>Remedial action has been agreed for all issues identified.</p>
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AGS Issue No.	Issue identified	Responsible Officer	Summary of action proposed	Update Sept 2022	Update December 2022	Update March 2023	Notes
1	Financial position – The Government’s continued delays in implementing the Fair Funding Review and business rates reset implementing the Fair funding review and business Rates reset have led to further uncertainty over the Medium term Financial Plan. However, the financial position remains precarious with significant reductions required to balance the budget over the medium term. The impact of the pay award and high inflation mean the Council need to reduce spend by £6.6m over the life of the MTFP regardless of the Governments plans. There is an immediate requirement to reduce expenditure by £2.3m in time for the 2023-24 budget.	Director Finance	One Exeter plan is operational and being progressed. Specific reduction targets have been set for each year of the plan. This is being monitored monthly by SMB. Clear programmes of work are in place and are being actioned.	The MTFP has been updated in light of the offered pay award and projections relating to fuel, energy and other inflationary increases. This has locked in the requirement for delivering £6.6m of savings over the life of the MTFP. However, work has progressed with the One Exeter Transformation programme to ensure that a balanced budget can be delivered.			
2	Net Zero 2030 – the Council has set a net zero target date of 2030 for council operations as opposed to the Devon County Council and central government target of 2050. In setting this central government target, the Committee on Climate Change (CCC) recognised that whilst this target is technically feasible it is highly challenging without sustained policy interventions across several sectors, many of which will be complex, costly and time-consuming. In choosing to set a target 20 years ahead of national and other locally set targets is high risk. However, this has already been recognised and will be monitored by the Audit & Governance Committee as part of the corporate risk register process.	Director Net-Zero	To be monitored as part of the Corporate Risk Register monitoring process.				
3	Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake-up of operations and control systems. These factors include the following: • external factors e.g. regulatory change and compliance, climate change • internal factors e.g. The One Exeter project to deliver the digitalization/transformation of service delivery	Audit Managers	The Audit Managers have been involved in a number of the One Exeter work streams, including the service review process and production of the ‘How to’ guidance for service leads. Involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program and this work will continue as the project develops.  Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes.	No further updates at this stage.			

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## **REPORT TO AUDIT AND GOVERNANCE COMMITTEE**

Date of Meeting: 28 September 2022

Report of: Chief Executive & Growth Director

**Title: Corporate Risk Register**

### **Is this a Key Decision?**

No

### **Is this an Executive or Council function?**

Risk management is a Council function.

Risk Management is an important element of the council's Code of Corporate Governance. Regular monitoring of the council's corporate risks helps to ensure that the council's business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

### **1. What is the report about?**

1.1 The report advises the committee of the council's risk management progress and presents the updated Corporate Risk Register (Appendix A).

### **2. Recommendations:**

2.1 That the Committee reviews and notes the Corporate Risk Register.

### **3. Reasons for the recommendation:**

3.1 To comply with the council's Risk Management Policy which states that this committee is responsible for monitoring and reviewing the Council's risks and reporting all new and updated risks to the Chief Executive and Growth Director.

### **4. What are the resource implications including non-financial resources.**

4.1 Directors and Senior Managers, as appropriate, are asked to update the Corporate Risk Register on a quarterly basis. The register is reviewed regularly by the Chief Executive & Growth Director, the Strategic Management Board (SMB) and the Health and Safety Board. This process is currently facilitated by Internal Audit.

### **5. Section 151 Officer comments:**

5.1 There is little to update Councillors on with respect to the risk register, owing to the relatively short turnaround between Committees at this point in the cycle. However, Members should note the increased risks identified and be aware of the action required to mitigate the risks.

### **6. What are the legal aspects?**

6.1 None identified

## **7. Monitoring Officer's comments:**

7.1 The contents of this report raise no issues for the Monitoring Officer, other than acting as a timely reminder for the Committee that risk management is an important element of the Council's code of corporate governance.

John Street (Deputy Monitoring Officer)

## **8. Report details:**

8.1 The Corporate Risk Register (Appendix A) has been reviewed and updated by members of SMB as follows:

8.2 Risk 2 Failure to meet Exeter's Housing supply needs has been increased from a medium risk to a high risk.

Risk 6 Failure to deliver the Liveable Exeter Programme has been increased from a medium risk to a high risk.

8.3 An update on each risk can be found in the notes column of the Corporate Risk Register (Appendix A)

## **9. How does the decision contribute to the Council's Corporate Plan?**

9.1 This decision helps to ensure the delivery of the council's purpose 'Well Run Council'.

## **10. What risks are there and how can they be reduced?**

10.1 Any risks should be captured in either this document or the operational risk register.

## **11. Equality Act 2010 (The Act)**

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs;
- and foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because:

11.4.1 The report does not set policy.

## **12. Carbon Footprint (Environmental Implications)**

12.1 No direct carbon/environmental impacts arising from the recommendations.

## **13. Are there any other options?**

13.1 Not applicable.

### **Chief Executive & Growth Director**

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

Contact for enquires: Democratic Services (Committees)01392 265275

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# Corporate Risk Register

## 1 Inability to deliver Carbon Net Zero aspirations for Exeter by 2030 (External)

Potential Causes:

- Financial pressure and economics of carbon reduction
- Behavioural challenges over influencing businesses and public
- Technical capability to deliver
- Lack of control over all stakeholders (businesses, visitors etc.)
- Political environment and acceptance of policy changes required
- Misalignment with Devon Climate Plan
- Failure to engage with resident and business of Exeter to ensure solutions proposed meet real need

Potential Impacts:

- Reputational
- Failure to deliver inclusive growth and retain vibrancy of Exeter as a great place to live
- Conflict within Region
- Short term changes may not be sustainable

08.11.19	Executive Updates to be provided by Karime Hassan Chief Executive & Growth Director	4	3	12	<ul style="list-style-type: none"> <li>- Strategic partnerships</li> <li>- 12 Goals defined for the city to provide framework for carbon net zero. Goals reflect priorities of business and residents</li> <li>- Plans in place to develop roadmap for carbon net zero 2030</li> <li>- Other major public sector organisations have already committed to becoming carbon neutral (e.g. University of Exeter, Devon County Council)</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>- Continue to invest in supporting ECF as a partner organisation to ensure that the ambition to be net-zero is continually communicated and residents and businesses are engaged. ensuring all voices are heard and the solution being developed are benefitting the residents and business.</li> <li>- Improve national communication positioning Exeter as a leading sustainable City highlighting what we are doing - through ECF and Livable Exeter activities</li> <li>- Improve national communication positioning Exeter as a leading sustainable City highlighting what we are doing - through ECF and Livable Exeter.</li> <li>- Invite Exeter City Futures CIC to reflect on the challenges of resourcing the step change in activity to meet the Net Zero 2030 Goal and options for meeting the challenges be provided for consideration by the Executive and Council;</li> <li>- Look into the practical issues raised for the construction sector and the supply chain to meet the demands of retrofitting the housing and commercial stock, and address the financial, technical and policy issues;</li> <li>- Target a particular intervention to test whether progress could be made with the council providing the funding or upfront capacity, such as the goal of connecting homes and non-residential buildings to a district heat network and to explore the practical challenges to securing delivery with limited capacity against the 2030 time line. This will highlight the practical considerations required of the public sector partners to support the scale</li> </ul>	Apr-30
									<ul style="list-style-type: none"> <li>- of the ask. In Exeter's case to connect some 11,200 additional homes to a heat network by 2030.</li> <li>- investigate the practical issues that have to be addressed to achieve verifiable mechanisms for net biodiversity gains and carbon sequestration to address the challenge of delivering a Net Zero Exeter.</li> </ul>	

**Tracking Notes and Monitoring:**

**September 2022:**

Updates to work to be done provided.



# Corporate Risk Register

## 3 Failure to adapt council workforce to ensure appropriate skills and experience

**Potential Causes:**

- Ageing workforce (half of staff over 50, considerable enough
- Difficulty to recruit into key areas - professional areas (planners, lawyers)
- Empowerment, skills and engagement of managers to enable this change

**Potential Impacts:**

- Loss of experience
- Increased spending on agency workers
- Not having cost effective council services delivering the right outcomes
- Service disruption
- Cost of appeals / challenges across the council services
- Increased stress / pressure on workforce

June 2019	Baan Al-Khataji Director Corporate Services	3	3	9	2	3	6	Ongoing
				<ul style="list-style-type: none"> <li>- Market supplement scheme in place</li> <li>- Apprenticeship opportunities for new and existing staff</li> <li>- Employing part qualified staff and training them (internal and external) - procurement, planning etc.</li> <li>- Improvements in metric tracking (age, gender, skills profiles)</li> <li>- Business Partnering model allowing for greater collaboration between service areas and HR</li> <li>- Metrics reported to SMB</li> </ul>			<ul style="list-style-type: none"> <li>- Ensure robust implementation of new workforce planning process (local mgmt team led)</li> <li>- Utilising agile program to compliment modernisation of work environment</li> <li>- Review of progress against GDR.</li> </ul>	
<p><b>Tracking Notes and Monitoring:</b></p> <p><b>March 2022:</b> No further update received</p> <p><b>June 2022:</b> No further update received</p>								

## 4 Maintaining the Financial Sustainability of the Council

- Potential Causes:**
- Fair funding review from central government involving rebaselining of business rates (income loss of £2.5m per annum) and determination of a new formula which could have funding implications.
  - Inability to deliver £6.6m savings target over four year period.
  - Inability to grow Exeter city centre and associated business rates etc.
  - Policy, regulatory or legislative changes which are not fully funded from central govt.
  - Impact of high inflation, rising interest rates and other external economic factors.
- Potential Impacts:**
- unable to balance budget.
  - reduced income for council services.
  - larger than anticipated cuts (in year or over longer term).
  - reduction in reserves.
  - impacts on council services and therefore resident outcomes.

January 2018	Dave Hodgson – Director Finance	4	4	16	<ul style="list-style-type: none"> <li>- Detailed MTFP assessed and agreed with Members</li> <li>- One Exeter plan agreed and being implemented with suitable governance arrangements in place.</li> <li>- Budget for 2022-23 agreed with significant reserves to protect against Covid related income losses.</li> <li>- Significant investment in city centre regeneration (St Sidwell's point &amp; bus station) including developing a new vision for the rest of the site which includes mixed use</li> <li>- Business Development manager extended to continue to identify and grow commercial opportunities</li> <li>- Strong level of unringfenced general fund reserves to protect against shocks</li> </ul>	2	4	8	<ul style="list-style-type: none"> <li>- Continue to respond to consultations making case for council</li> <li>- Lobby government for relaxation of council tax increase restrictions</li> <li>- The Council has a clear strategy to address the £6m savings required, although the exact timing of Government decisions around Business Rates and New Homes Bonus remains uncertain.</li> <li>- Significant funding in an earmarked Reserve to protect against income shortfalls or timing issues with reductions.</li> </ul>	Dec-22
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### Tracking Notes and Monitoring:

**September 2022:**

The MTFP has been updated and the pay award / inflation means that savings are required totalling £6.6m regardless of the outcome of Government decisions.

## 5 Increased cost of all capital building Projects

Potential Causes:

- Shortages of materials and labour causing delay and increased costs across the capital programme.
- Interest Rate rises causing the cost of borrowing to rise significantly.

Potential impacts

- Increased costs to Council
- Delay in all projects, predominantly the condition survey projects and HRA programme, leading to prolonged periods of buildings being below the standard the Council is aiming for.

August 2021	Dave Hodgson – Director Finance	4	4	16	The global economic impacts are difficult to mitigate. Members may need to reprioritise, accept higher tender costs or delay the capital programme. Those projects already underway will see additional costs arising.	4	4	16	Review existing capital programme with a view to deferring and removing schemes. Change of emphasis to internally borrow in the short term to offset interest rate rises.	Dec-22
<b>Tracking Notes and Monitoring:</b>										
<b>September 2022:</b> Interest rates have now increased to around 2.5% higher than at the start of the year. This adds around £25,000 per million borrowed. This will have a negative impact on the revenue position of the Council, when further external borrowing is required.										

## 6 Failure to deliver the Liveable Exeter Programme

### Potential Causes:

- a challenge to the viability of development
- inadequate funding for brownfield land regeneration
- lack of staff resources to support the work
- inability to address complex land assembly and infrastructure challenges
- significant abnormal costs associated with this type of programme

### Potential impacts

- increased costs to the Council
- carbon neutral not achieved by 2030
- city housing needs not met by 2040
- new communities not created
- active and accessible city aspirations not met
- new homes do not meet Garden City principles
- housing built in locations the council is seeking to avoid

Page 48	Nov 21	Executive Ian Collinson- Director City Development	4	4	16	<p>- Brownfield land release fund:  <ul style="list-style-type: none"> <li>- project management capacity brought in</li> <li>- sites included in ECL business case</li> </ul> </p> <p>- Director of Planning &amp; Development appointed</p> <p>- examples of the strategic investment required are the housing infrastructure fund (HIF) and other strategic investment funds such as administered by One Public Estate and the Department for Levelling Up, Housing and Communities</p> <p>- some funding has been secured on an annual basis from Homes England</p> <p>- LDA design commissioned to produce Marsh Barton Development framework</p> <p>- DCC &amp; ECC progressing work on development brief for Southgate</p>	4	4	16	<p>work to be undertaken with One Public Estate on the Exeter City Fund concept</p> <ul style="list-style-type: none"> <li>- there needs to be a willingness to acquire land and property to move forward in a sensible phased programme including a willingness to compulsory purchase land</li> <li>- need to step up the support commensurate with the scale and pace of development required</li> <li>- new local plan that includes the vision and principles as part of the formal planning policy</li> <li>- the Council adopts an enabling culture rather than relying on a regulatory culture</li> <li>- Exeter City Living to lead by example</li> <li>- Exeter Place Board to bring together the city's institutions to take ownership of the vision and aspirations and to work collectively on obstacles to delivery</li> <li>- draft tender for parking strategy</li> <li>- City Fund outline business case in draft with Scrutiny Committee</li> <li>- Officer to continue to approach landowners in key locations to bring forward key sites in the programme</li> </ul>	Nov-24
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### Tracking Notes and Monitoring:

#### Sept 2022:

Joint Scrutiny Committee has held three meetings to better understand the Exeter Development Fund concept. This has identified the outline business case, the failings with the current business as usual model, the opportunities with development corporation models of delivery, and the challenges to viability as a consequence of the current approaches to funding development. A Task and Finish Group has been established for scrutiny to conclude its consideration of the concept prior to Executive considering the proposal. DLUHC Garden Communities capacity funding is being used effectively to help unlock sites, but this funding is not sufficient and is at risk of being scrapped. The level of resources required to support an ambitious transformation programme is significant and whilst the development corporation model would be a means to secure greater resources to the programme, this could be years away. There are tangible examples of progress being made with the programme and progress with the Exeter Plan preparation (see also above under Risk 2). There is strong private sector interest in the Water Lane area and St David's Station/Red Cow and ECC has built a strong collaborative approach with land owners/developers. Consultants have been engaged to master plan the Marsh Barton area and develop a strategic design code for Water Lane. This work is to be replicated across other strategic sites, given sufficient resources. However strategic uncertainty is hitting confidence in the construction sector where inflation is hurting viability. Developers are unable/unwilling to risk significant investment in bringing forward brownfield land. Homes England is reluctant to commit government funding to provide infrastructure loans/grant and acquire land to unlock sites. ECL is continuing to develop a pipeline of deliverable sites on Council owned land with support from City Development. Recent appeal decisions have left the Council in a weak policy position.



## Corporate Risk Register

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### Inability to deliver Carbon Net Zero aspirations for Exeter City Council operations by 2030 (Internal)

At the request of members, with effect from June 2022 this risk is now the subject of a separate risk register to be present half yearly to the Audit & Governance Committee by the Corporate Energy Manager, Net Zero Team

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