

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 26 July 2023
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 of the Customer Services Centre, Paris Street.

Membership -

Councillors Wardle (Chair), Jobson (Deputy Chair), Allcock, Atkinson, Branston, Ellis-Jones, Fullam, Miller, Mitchell, M, Moore, D, Patrick and Williams

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 8th March 2023.

(Pages 3 -
14)

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:

"RESOLVED 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."

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|-----------|--|--------------------|
| 5 | External Audit Progress Report
To consider the report of the Council's External Auditor. | (Pages 15
- 30) |
| 6 | Publication of the 2022/23 Statement of Accounts
To consider the report of the Director Finance. | (Pages 31
- 36) |
| 7 | Internal Audit Charter
To consider the report of the Audit Manager. | (Pages 37
- 52) |
| 8 | Annual Internal Audit Report
To consider the report of the Audit Manager. | (Pages 53
- 70) |
| 9 | Annual Audit Governance Statement 2022/23
To consider the report of the Director Finance. | (Pages 71
- 84) |
| 10 | Review of the Corporate Risk Register
To consider the report of the Director Finance. | (Pages 85
- 88) |

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 27 September 2023 at 5.30 pm

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 8 March 2023

Present:-

Councillor Wardle (Chair)

Councillors Moore, D, Allcock, Ellis-Jones, Leadbetter, Mitchell, M, Packham, Rees, Snow and Sutton

Apologies

Councillors Branston and Warwick

Also Present

Director Corporate Services, Director Finance, Service Lead Legal Services, Deputy Chief Finance Officer, Audit Manager(HP) and Democratic Services Officer (SLS)

David Johnston – External Auditor, Grant Thornton

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MINUTES

The minutes of the meeting held on 30 November 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 External Auditor referred to the circulated report on progress made on the 2021/22 statement of accounts and financial statement. He acknowledged that the audit opinion was still outstanding, but that there had been an ongoing dialogue to find the best way forward to meet the various discharge of duties and service standards required. The majority of work had now been completed, with significant progress made, including liaison with the Group Auditors to gain assurance over those loans consolidated within the Group Accounts. They were due to commence planning work on the 2022/23 audit to ensure it would be brought forward in a timelier manner.

The External Auditor responded to the following Members' questions:-

- there were no concerns in terms of the commitment of management to move this forward and the challenges being faced by the Council's finance team were recognised. Members will be aware of the particularly challenging market but that every effort was being made to ensure they were much better placed to deliver more closely to the original timetable.
- in relation to a Member's enquiry, regarding two assets which had been incorrectly consolidated in the Group Accounts process. The matter had been discussed and agreed with management and an adjustment had been made. There would be a prior period adjustment for any issue identified, which had a material impact on the prior year's audit, and in this case would be included in the 2021/22 accounts. There was a similar issue in the 2020/21 accounts, but

that was not material and there would be no further action in that regard. The delay was not an Exeter specific issue and the Audit Findings report had included the target date for publishing the report, but there was nothing to preclude Grant Thornton from sharing an update outside of the Committee meeting framework.

The Director Finance also responded to a Member's question in relation to commercial property and confirmed there were three types of properties which included the Royal Albert Memorial Museum, the Civic Centre, Exton Road Depot and the various leisure centres as operational properties. Valuation of such properties were carried out as part of a five year bulk programme. The Council's housing stock was valued as part of a desk top exercise undertaken every year to reflect the value, with a full valuation undertaken every five years. Investment properties have a complete revaluation every year, as part of a requirement of the accounting standards that are in place, based on the market value.

Members noted the report.

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INTERNAL ANNUAL AUDIT PLAN 2023/24

The Internal Audit Manager (HP) presented the annual Internal Audit Plan for 2023/24, attached as an appendix and presented to the meeting, which required Member approval. The report provided confirmation that the appropriate risk management matrix had been used to formulate the plan, with feedback received from the Council's Strategic Management Board on priorities and concerns as well as feedback from the Chair and Deputy Chair of this Committee.

The Audit Manager responded in the following terms to Members' questions:-

- to assess the level of risk, the Audit team had developed a methodology using a template, with the individual risks recorded under nine different categories. The template calculated the score with a high, medium and low risk classification of the Council's own risk assessment.
- the scope of the Housing and Supporting People audit was not too prescriptive in order that it could be agile and effective. A more specific scope was determined with the Director and Manager of a particular area nearer the time of the audit and the targeted work would depend on the level of risk and to allow the team to place their resources where they would be best used at the time to ensure it met the needs of the Council at the time.

RESOLVED that the Audit and Governance Committee approve the annual Internal Audit Plan for 2023/24.

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INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (HP) presented the detail of Internal Audit work carried out during the third quarter and period of 1 October to 31 December 2022. A summary of progress against the Annual Audit Plan for 2022/23 was included at Appendix A to the report which presented a more detailed breakdown of the work, and an action plan of the Significant Governance issues identified in the last annual Governance Statement had been included at Appendix B. Members were advised on the overall progress and that the Plan was on target with no significant issues associated with the audit work undertaken throughout the year.

The Audit Manager responded to a Member's question over the distinction

between the Corporate Risk Register and the *Significant Governance issues* document at Appendix B. She clarified that the Corporate Risk Register included risks to the Council identified by the Strategic Management Board. The risks set out in the Significant Governance issues document, were from significant governance issues as identified in the Annual Governance Statement and which Internal Audit have identified from their perspective as needing to be monitored throughout the year. It was distinct from the Corporate Risk Register. The Director Finance added that Internal Audit identify significant issues which they considered should be monitored throughout the year and reported to Members.

RESOLVED that the Internal Audit progress report for the third quarter of the year to 2022/23 be noted.

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CODE OF CORPORATE GOVERNANCE 2023/24

The Director Finance presented the report, which set out an overview of the proposed annual Code of Corporate Governance for 2023/24. The document, underpinned the Annual Governance Statement (AGS) set out the Governance arrangements for the Council, and performance, which was set out in the Annual Governance Statement which would also be presented at the next meeting of the Audit and Governance Committee. He highlighted two key areas which had been added to the Corporate Governance Framework relating to under Regulatory, in recognition that there are other Council constituted Boards, Groups and Committees which contributed towards the Governance of the Council's operations; and under Corporate, to acknowledge the requirement of oversight and performance monitoring of companies in which the Council has an interest.

The Director Finance also responded to a Member's comments and stated that under the Corporate column of the circulated Code of Corporate Governance, the references to the Exeter Community Strategy, which had expired and the Exeter Community Forum, which no longer existed would be removed, subject to approval by Members. In respect of the review of the stakeholder oversight arrangements for the wider group of companies, including Exeter City Living, he suggested that it could be expanded to include the Science Park, but Strata should be seen in a slightly different way as it was not just a single Council that would determine any outcome.

RECOMMENDED that, subject to the amended Code of Corporate Governance circulated with the report, which would also include the removal of references to the Exeter Community Strategy and the Exeter Community Forum, the Audit and Governance Committee support and Council approve the Code of Corporate Governance for 2023/24.

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MEMBERS' CODE OF CONDUCT

The Service Lead Legal Services presented the report proposing to amend the Council's current Members' Code of Conduct, including a number of changes made to the Local Government Association's Model Code of Conduct model upon which Exeter's Code of Conduct was based. The changes provided greater clarity in relation to the definition of the Declaration of Members' Interests, the completion of the Disclosable Pecuniary Interests (DPI) and the Disclosure of Other Registerable Interests (ORI) forms. The amended Code now included a standard form for Members to declare Gifts and Hospitality. Also included was a revised section relating to General Dispensations to be granted by the Monitoring Officer, which was subject of a later report as part of this agenda. The Service Lead Legal

Services responded to a reference that the Nolan Principles had been slightly amended and would ensure these were incorporated into the Members' Code of Conduct. He also responded to a Member's comment and agreed there was an expectation that Members should raise any concerns of conduct or respect in relation to Council business.

A Member referred to the term, "well-being" in respect of the Disclosure of Non-Registrable Interests and suggested that Members may be in a challengeable position over any decision that may have impacted their wellbeing. The Director Corporate Services clarified that there was no statutory definition of well-being and so the dictionary definition applied.

RECOMMENDED that the Audit and Governance Committee support and Council approve the following:-

- (1) changes to the Members' Code of Conduct with immediate effect; and
- (2) the Monitoring Officer communicates the amended Code of Conduct to Members.

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GENERAL DISPENSATIONS TO MEMBERS

The Director Corporate Services presented the report and referred to the provision of Section 33 of the Localism Act, which outlined the position where, in certain circumstances, the Monitoring Officer may grant a General Dispensation to a Member, which offered a general power to permit them to take part and speak at meetings in relation to the business of the Council, even if the Member had a Disclosable Pecuniary Interest relating to that business. A Member may also apply for an individual dispensation if their interest did not fall in the General List of Dispensations, but this would be determined by the Monitoring Officer.

A copy of the application form to enable a Councillor to apply for a General Dispensation was presented to Members, but not circulated with the agenda and would be attached to the minutes.

A Member sought clarification over the position whereby, a Member appointed as a Director or Trustee may have considered they had a conflict of interest. The Director Corporate Services stated that Members were appointed as a representative of the Council to outside bodies to gain knowledge as well as participate in their business. If a Member considered they had a conflict of interest at the Board level of the appointed body or organisation, they still had the opportunity to exempt themselves when particular matters were being considered. In such instances Members would be governed by both the rules of such bodies and by the Council's Members' Code of Conduct.

The Audit and Governance Committee noted the content of the report and in particular the Dispensation granted to Councillors.

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AMENDMENTS TO THE CONSTITUTION - OFFICERS' CODE OF CONDUCT

The Service Lead Legal Services presented a report which provided greater clarity to the Officers' Code of Conduct, in relation to the obligation by Officers to declare interests and the registration of interests concerning Gifts and Hospitality, following a recommendation from the Council's External Auditor Grant Thornton. The report clarified the position by the inclusion of a standard form for officers to formally register those interests with the Monitoring Officer, and in an official register to be

held by the Council. The report also clarified the consequences of not meeting the relevant statutory provisions in relation to contracts and the provisions of Section 117 of the Local Government Act 1972 in relation to bribery and corruption as set out in the Bribery Act 2010.

The Service Lead Legal Services responded to the following Member's questions:-

- the reference in relation to outside commitments of officers, was for additional employment; and
- the Member's comment on the lower amount of declaration of gifts or hospitality of £25 as opposed to the £50 level for Members was noted.

The Director Corporate Services also responded to a Member's enquiry on the status of the City Council's two independent persons. They were not employed by the Council and had a specific function to assist her as the Monitoring Officer. She would clarify their position over compliance with the Officers' Code of Conduct. She added that the principle of the declarations were not to compel every officer to declare every interest they may have, but to advise where there might be an interest that may conflict with Council business.

RECOMMENDED that the Audit and Governance Committee support and Council approve the following:-

- (1) changes to the Officers' Code of Conduct with immediate effect; and
- (2) the Monitoring Officer would communicate these amendments to staff so that they are aware of the obligations placed upon them.

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FREEDOM OF INFORMATION AND DATA PROTECTION

The Corporate Manager (Executive Support) presented the report which explained the options for accessing information held by the Council, including the use of the Freedom of Information Act 2000, Environmental Information Regulations 2004, and Data Protection Act 2018. The report summarised the number of Freedom of Information (FOI) requests that have been received in the last year, how they were handled and the number of referrals to the Information Commissioner's Office (ICO), including data breaches and requests for CCTV footage.

The Corporate Manager (Executive Support) responded to the following Members' comments:-

- requests for CCTV footage had mainly related to incidents or accidents in the Council's car parks that had been processed but all CCTV footage could be requested;
- the decision to make the detail of Planning Member Working Group meetings more widely available had only recently been made;
- clarification of what a VRM was, as detailed in the appendix of the report would be provided;
- if information was publicly available then individuals would be signposted to the Council's web site as part of the FOI response;
- some local authorities published all of their FOI requests in the interests of openness and transparency, with a view to avoiding repeat requests and managing resources. In Exeter, there was no overwhelming demand to view individual FOI requests, with 95% of requests being unique in their response;
- one officer dealt with FOI requests, but significant numbers of staff across the Council could be asked to contribute to the response. There were repeat

requests from individuals and organisations because of their interest in Council matters, and as already advised, where possible, information relating to repeat requests was published on the web site; and

- any vexatious requests were subject to a test from the ICO. The detail of such requests would be included in a future report.

The Director Corporate Services added that the Council also had a policy which could address those individuals who repeatedly asked questions of a similar nature or were aggressive and the officer dealing with FOI requests would work in liaison with the relevant Head of Service.

- a comparison with Exeter's family group of 10 Councils across the country, as well as a comparison of Devon Councils would be made in future reports; and
- internal reviews already included a brief summary in the appendix. It would be possible by way of explanation to offer more detail.

The Service Lead Legal Services clarified that the next stage after the decision would be to appeal to the First Tier Tribunal followed by the Upper Tier Tribunal, and then to the Court of Appeal. In response to a further question from a Member, he advised that it was some time since the Council had a matter before the First Tier Tribunal and there had not been an appearance before the First Tier Tribunal during the reporting period outlined in the report.

RESOLVED that the report be noted.

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ANTI-MONEY LAUNDERING POLICY

The Deputy Chief Finance Officer presented the Council's Anti-Money Laundering Policy and Procedures, which have been reviewed and updated to meet the latest requirements of the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017. Since the Policy was last presented there have been a number of changes to the regulations to ensure that the United Kingdom continued to meet international anti money laundering standards. The impact on local authorities was minimal, but it was important to review the Council's policy and update in line with the latest regulations. Paragraph 8.5 of the report set out both the key changes to the regulations and also changes to the Council's own arrangements for anti-money laundering.

RECOMMENDED that the Audit and Governance Committee support and Council approve the updated Anti-Money Laundering Policy and Procedures.

43

REVIEW OF CORPORATE RISK REGISTER

The Audit Manager 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 Committee was responsible for the monitoring and reviewing of the Council's risks.

It had been anticipated that the Director City Development would be able to attend to provide more detail on the risks he was responsible for, but he was unable to attend. An invitation would be made for him to attend the next meeting in July. There were no new additions to the Risk Register. The Director Finance also updated Members on the delivery of a new Corporate Risk Register and advised that the work would continue with a further workshop to be held to look at specific issues relating to Exeter, later in the month. The workshop would include an experienced a facilitator and include both Executive Members and the Strategic

Management Board. He also anticipated that a revised Corporate Risk Register would be presented to the meeting of the Audit and Governance Committee in July 2023.

The Director Finance responded to a number of Members' comments:-

- *Risk 4 - Maintaining the Financial Sustainability of the Council* and in referencing investment in city centre regeneration, he reminded the Member that the City Council was currently working with Crown Estates and another organisation which had a significant interest in the site adjacent to St Sidwell's Point and that continued to be an ambition to deliver a redevelopment of the wider site. The current economic conditions remain challenging, but they continued to work to bring forward the site with prospective partners based on the broad masterplan previously proposed.
- *Risk 4 - Maintaining the Financial Sustainability of the Council* and the £6.6 million savings quoted in the Risk Register as part of savings in the Medium Term Financial Plan had risen to £9.75 million during the last financial year, and it was now approximately £5.8 million. The figure quoted in the Risk Register would be updated accordingly.

Members also made the following comments -

- *Risk 1- Inability to deliver Carbon Net Zero aspirations for Exeter by 2030 (External)* A Member stated that whilst the Net Zero Risk Register for the Council operations was welcome, she asked in relation to the Corporate Risk Register, if a number of elements in the framing of this Risk could be considered as part of the review of the document and she made the following enquiry and comments:-
 - although this risk was about the inability to deliver Net Zero aspirations for Exeter by 2030, and from a strategic point of view the implications of not delivering Net Zero, be it 2030 or 2050 and the impact on climate change on the city should be considered. Although the Devon Climate Emergency Group were looking at these issues, the City Council should also be looking at carbon reduction and adaptations with the impetus to get on with action as the date was not important.
 - an enquiry seeking clarification over the reference of support for the green construction agenda would be made.
- *Risk 1 Inability to deliver Carbon Net Zero aspirations for Exeter by 2030 (External)* whether the Committee which had been suggested to monitor progress had been set up to feed into the governance of the risk through the Risk Register.
- *Risk 1 Inability to deliver Carbon Net zero aspirations for Exeter by 2030 (External)*

A Member also wished to comment on Risk 1 on the enormity of the scope and scale of the Climate Emergency and how that could be monitored when so many factors were outside of the Council's control, and that some clarity on what such a Committee would look like, its format and remit. It may be appropriate to put any resources in working to meet the Net Zero targets, rather than just monitoring of issues that cannot be captured.

The Director Finance would feed back all of the comments and enquiries made on the Risk Register to the Strategic Management Board and seek a response as appropriate.

The Audit and Governance Committee reviewed and noted the updated Corporate Risk Register.

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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 updates to the City Council's Net Zero Risk Register, as well as an assessment of the risks in delivering Net Zero within the City Council by 2030. The report which was the first update, since the Net Zero Risk Register was introduced last July, aligned with the Net Zero Carbon Reduction Plan, and included two new adaptation risks relating to *energy security* and *climate change effects* in relation to the Council's housing tenants and Corporate Property leaseholders.

The Net Zero Project Manager responded to comments from a Member and stated that the reduction in the reported *Risk 3 Unable to Reduce City Council Scope 1 Direct Emissions from Owned Sources (fuel consumption and company vehicles)* from red to amber was in relation to Scope 1 Direct Emissions, and in respect of *Risk 7 Services and Budgets at Risk from Climate Related Failure of the Power System* that further discussion on the reference of the installation of solar Photovoltaic Panels (PV) as an adaptation measure would be made.

It was noted that the Water Lane project provided power to charge the Council's electric refuse vehicles based at the Exton Road Depot and reduced carbon emissions and pollution levels in the city. Apart from supporting carbon reduction, energy generation from this project also provided some protection against energy price increases. Funding for projects that did not provide a return on investment, involving decarbonisation of the Council's buildings to make them more energy efficiency were reliant on grant support. The team took every opportunity to address emission reduction and were waiting to hear from the Public Sector Decarbonisation Scheme as to whether a recent bid has been successful.

The Audit and Governance Committee noted the City Council's Net Zero Risk Assessment update, with an update to be reported every six months.

(The meeting commenced at 5.30 pm and closed at 6.50 pm)

Chair

MEMBER DISPENSATION REQUEST FORM

Name of Councillor	
Nature and description of interest for which dispensation sought:	
<p>Period for which dispensation is sought.</p> <p>Note:</p> <ul style="list-style-type: none"> • This may be for a maximum period of 4 years. • Where a dispensation is sought for a particular meeting, please specify date of meeting. 	
<p>Grounds on which the dispensation is sought:</p> <ul style="list-style-type: none"> • Please refer to grounds set out in the attached guidance. <p>Please provide supporting reasons as to why you consider the dispensation request should be granted.</p> <p>Please state whether you are seeking a dispensation to speak and to vote or to speak only on the particular matter.</p>	

Guidance on Dispensation Requests:

Where you have a Disclosable Pecuniary Interest, you may apply to the Director of Corporate Services and Monitoring Officer for a dispensation to:

- Speak only
- Speak and vote
- At any meeting of Exeter City Council

Such a dispensation may be granted for a maximum period of four years.

A dispensation can be granted to you on the following grounds to enable you to speak and/or vote where you would otherwise have a disclosable pecuniary interest:

1. That so many members of the Council have disclosable pecuniary interests in a matter that it would impede the transaction of the business (i.e. it would otherwise be inquorate).
2. That without the dispensation, the representation of different political groups on the Council would be so upset as to alter the outcome of any vote on the matter.
3. That the Council considers that the dispensation is in the interests of persons living in the Council's area.
4. That without a dispensation no member of the Executive would be able to participate on the matter.
5. That the Monitoring Officer considers that it is otherwise appropriate to grant a dispensation.

Criteria to be used by the Monitoring Officer when determining requests for dispensations:

The following **Criteria** will be considered in determining whether to grant dispensation requests:

1. Whether the nature of the member's interest is such that to allow them to participate would not damage public confidence in the conduct of the Council's business.
2. Whether the interest is common to the member and a significant proportion of the general public; *if this is the case a dispensation is more likely to be granted.*
3. Is the participation by the member justified by his/her particular role or expertise?
4. Is the interest trivial or remote; *if this is the case a dispensation is more likely to be granted.*

A dispensation request must be made to the Director of Corporate Services and Monitoring Officer in writing or by email addressed to Baan Al-Khafaji, Director of

Corporate Services and Monitoring Officer, Exeter City Council,
bkhafaji@exeter.gov.uk.

Please submit a dispensation request well in advance of the date of the meeting for which the dispensation is sought and in any event, other than in exceptional circumstances, the dispensation request should be submitted not less than 5 clear working days prior to the date of the meeting to which the dispensation request relates.

Bias and Predetermination

There may be circumstances where you do not have a Disclosable Pecuniary Interest but where it would not be appropriate for you to speak and vote on a matter because you may be biased (or perceived to be biased) if you were to do so. For example, speaking and voting on a planning application relating to a close family member or neighbour. A dispensation cannot be granted in such circumstances to enable you to speak and vote. It is extremely unlikely that a dispensation will be granted in respect of a Disclosable Pecuniary Interest where circumstances of bias or predetermination may arise.

For further information please contact the Director of Corporate Services and Monitoring Officer.

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Exeter City Council Audit Progress Report and Sector Update

July 2023



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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

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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 July 2023

Financial Statements Audit

As previously reported, the 2021-22 Audit is still ongoing and we continue to have conversations with management about the completion of this work. We began our work on your draft financial statements in November 2022.

The significant risks we identified within our plan were as follows:

- Management override of control
- Valuation of land and buildings
- Valuation of investment properties
- Valuation of net pension fund liability

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 and have provided updates through previous progress reports.

In our plan we noted that DLUHC set an indicative date of 30 November 2022 for audited local authority accounts. Given the system-wide pressures previously discussed, we believed this unrealistic for 2021/22 audits (but as a firm we are fully supportive of this in a 'normal' year).

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously stated their intention to introduce secondary legislation to extend 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)

The Council are facing a unique and unprecedented set of challenges linked to the cost of living and the increase in inflation and interest rates. This required the finance team to concentrate on ensuring that estimates for the 2023/24 budget were calculated on a realistic basis which meant management were not able to fully support the audit process. In agreement with management we paused the audit in January 2023 and resumed our work in February 2023. All unsigned audits for 2021-22 were paused at the 31 March 2023 to consider the impact of publication of the results of the triennial actuarial review of pensions valuations. This has resulted in changes in member numbers within pension funds and has led to a potential material adjustment in the pension liability disclosure. We have discussed this issue with the NAO and FRC to understand the impact and the disclosure requirements. This has required management to commission a new actuarial report and adjust the accounts accordingly. This will need to be reviewed as part of the audit process, which will require confirmation and assurance from the pension fund auditor, before the opinion can be signed. We currently expect this assurance to be provided in August 2023.

The remainder of our audit has progressed well and other than the pension issue outlined we have largely completed our detailed testing. We continue to work with the Council to finalise our work and issue our audit opinion on the 2021/22 statements which will subsequently be communicated to members.

We will look to complete the remaining elements of the audit in the coming months recognising that management have still to complete and submit the 2022/23 draft financial statements.

We initially proposed a target completion date for our audit fieldwork by January 2023, however, due to the level of work required to ensure our audit responsibilities are fully met, coupled with the additional time required by finance officers to focus on their budgetary responsibilities, and the new pension considerations, our work will continue beyond the July 2023 Audit and Governance Committee date.

Value for Money

As with the financial statements audit the Value for Money work is ongoing and we continue to discuss with management a realistic and achievable timeframe to deliver this work. Under the 2020 Code of Audit Practice, for local government 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.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

As a firm, we have taken a decision to prepare a combined VFM report covering both the 2021-22 and 2022-23 arrangements in order to give members the most relevant and timely reporting and ensure this reflects the most up to date arrangements at the Council.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

Progress at July 2023 (cont.)

Other areas

Correspondence from local electors

Under the Local Audit and Accountability Act 2014, a local elector has the rights to inspect the accounts and books and records of the Council and write to the external auditors, to ask questions about the accounts. They may also object to the Council's accounts asking that the auditor issue a report in the public interest (under Section 24 and paragraph 1 of Schedule 7 of the Local Audit and Accountability Act 2014) or apply for a declaration that an item in the accounts is contrary to law.

We received two written objections during the public inspection period for the 2021-22 accounts.

Having carefully considered the grounds for both objections and further information highlighted by both correspondents, we have concluded that these are matters to be considered by the auditor, in part through our financial statements work and in part through our value for money assessment. We continue to work through the specific aspects of the matters raised and will conclude these matters once our accounts and VFM work relevant to these areas has been completed. This work is additional work required as part of our responsibilities as auditors and will be subject to a separate fee. Final fees at the conclusion of our work will be discussed and agreed with management and require final approval by PSAA.

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 2021/22 claim began in June 2022. DWP extended the deadline for reporting the findings of this work to 31 January 2023. This work is mostly complete and we are currently drafting the certification report which we will share with management prior to issue. We continue to discuss the issue with management and the DWP. We will report our findings to the Audit & Governance Committee

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Department for Levelling Up, Housing and Communities ("DLUHC"). The 2021/22 work has been completed and the report was submitted to the Government department on 30 June 2023.

Meetings

We meet with Finance Officers regularly as part of our liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

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 2023, 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 audit and our initial value for money risk assessment within our Progress Report.

September 2022

Completed

Audit Findings Report

The Audit Findings Report will be reported to the Audit and Governance Committee upon completion of our work.

September 2023

Not yet due

Auditors Report

This includes the opinion on your financial statements.

September 2023

Not yet due

Auditor's Annual Report

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

TBC

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

September 2023

Status

Draft report stage

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.

June 2023

Complete

Audit Deliverables

2022/23 Deliverables

	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit & Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report</p>	September 2023	Not yet due
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit within our Progress Report.</p>	September 2023	Not yet due
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit & Governance Committee.</p>	TBC	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	TBC	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.</p>	TBC	Not yet due

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:

A teal rectangular button with the text "Public Sector" in white, sans-serif font, centered within the button.

Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Page 23

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Local government procurement and contract management

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector¹. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

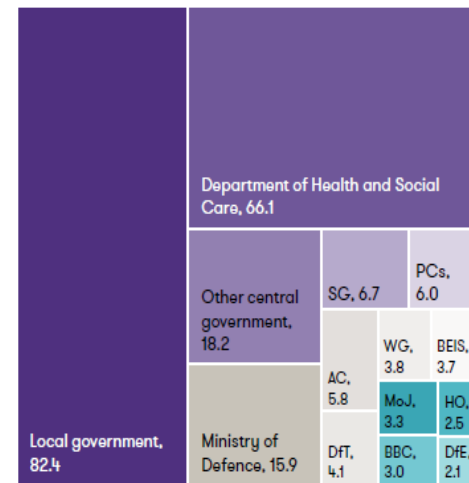
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

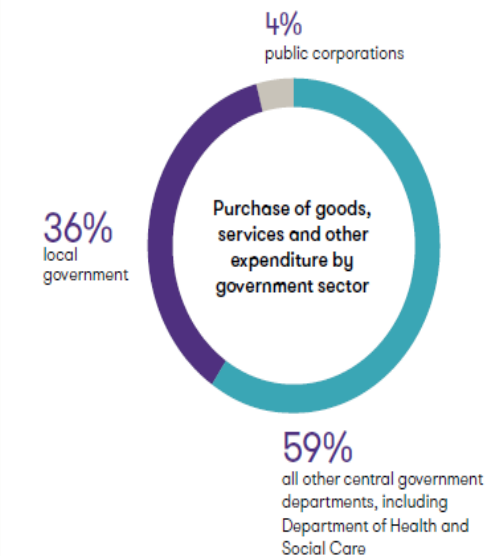
UK public spending

Public spending on goods and services, £ billions - analysis by segment and department²



PCs Other Public Corporations AC Academies
 DfT Department for Transport MoJ Ministry of Justice
 WG Welsh Government BBC British Broadcasting Corporation
 HO Home Office
 DfE Department of Education BEIS Department of Business, Industry Strategy
 SG Scottish Government

Goods, services and other expenditure by segment⁴



¹ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
² Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021
³ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
⁴ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.

Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

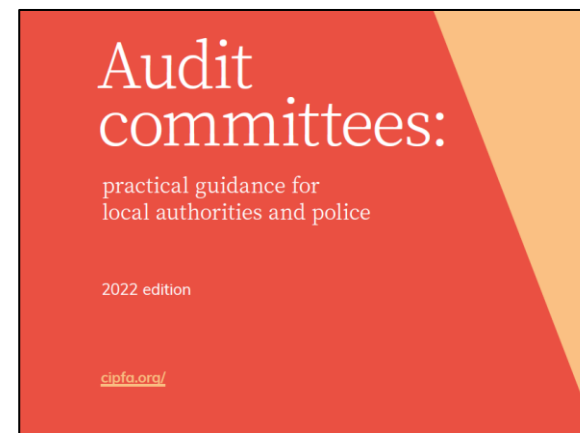
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)





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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting:

Report of: **DIRECTOR FINANCE**

Title: **PUBLICATION OF THE 2022/23 STATEMENT OF ACCOUNTS**

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To provide an update on the publication of the Council's 2022/23 Statement of Accounts and the audit status of the Statements of Accounts for 2020/21 and 2021/22.

2. Recommendations:

- 2.1 That the progress and barriers to publication of the Council's Statement of Accounts for 2022/23 and audit status of the Statement of Accounts for 2020/21 and 2021/22 be noted.

3. Reasons for the recommendation:

- 3.1 This committee is responsible for approving and adopting the Council's Statement of Accounts, income, expenditure and balance sheet or records of receipts and payments. This committee is also required to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

4. What are the resource implications including non financial resources

- 4.1 None

5. Section 151 Officer comments:

- 5.1 Because the 2021/22 accounts have not been signed off by the auditors, the results of the latest 2022 triennial valuation of the pension fund are available. The auditors have indicated that this new valuation could mean that there is now subsequent information that would mean our 2021/22 would have to be amended. The Authority commissioned a revised actuarial report which concluded that the Pension Fund liability at 31 March 2022 reduced by £24.065m. I have decided that I cannot ignore this revised report and I will use the revised actuarial report to adjust the 2021/22 Statement of Accounts and the opening balances for 2022/23. These changes have resulted in more work and delays to close the accounts. It is regrettable that the delayed audit opinion means that it has been necessary to make these changes, but it is my statutory responsibility to certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority and its income and expenditure.

6. What are the legal aspects?

- 6.1 For the 2022/23 financial year, the Accounts and Audit Regulations 2015 require local authorities to publish unaudited financial statements by 31 May 2023, so that the accounts can be made available for public inspection for 30 working days from the first working day of June (i.e. 1 June to 12 July 2023).
- 6.2 For the reasons set out in the body of this report, the Council has not been able to complete all the necessary processes in order to meet this deadline and, as required by Regulation 15 (1a), a notice has been added to the Council's website to set out the position.

7. Monitoring Officer's comments:

Given that this report is a "progress update" report, the Monitoring Officer has no comment to make.

8. Report details:

8.1 Appointed Auditor

Having opted into the national procurement for auditors to local public bodies, Public Sector Audit Appointments Ltd (PSAA) appointed Grant Thornton (UK) LLP to audit the accounts of Exeter City Council for a period of five years, covering the accounts from 1 April 2018 to 31 March 2023. The appointment is under regulation 13 of the Local Audit (Appointing Person) Regulations 2015.

8.2 2020/21 Audit

At the time of writing this report, the external auditors have yet to issue the formal certificate of completion of the Council's 2020/21 audit. However, the audit of the 2020/21 financial statements has concluded with an unqualified audit opinion.

8.3 2021/22 Audit

- 8.3.1 As previously reported to this committee, the audit of the Council's 2021/22 financial statements commenced later than planned, in the middle of October, due to Grant Thornton's commitment to a prior audit and delay in transitioning to Exeter's audit.
- 8.3.2 The timing of the start of the audit coincided with the finance team working hard to deal with a difficult budget setting process, which meant that it had to pause during January in order to allow officers time to finalise the 2023/24 budgets in time for Council approval in February.
- 8.3.3 The 2021/22 audit re-commenced in February and despite significant progress being made, it has been necessary to pause the audit again on 27 April, in order for Grant Thornton to divert resources to their NHS audits and for the finance team to focus on closing the 2022/23 accounts. The audit opinion therefore remains outstanding. It also meant that work could not commence on closing the 2022/23 accounts as planned in February, March and April due to supporting the delayed 2021/22 audit up to as late as 27 April.

8.4 Delay in publication of the 2022/23 Statement of Accounts

Statutory deadline

- 8.4.1 The deadline for when accounts must be made available for public inspection was 31 July for 2020/21 and 2021/22 to reflect the extraordinary pressures affecting the local audit market, including the lasting impact relating to the Covid-19 pandemic. The deadline for 2022/23 moved back to 31 May, a full two months earlier.
- 8.4.2 In February, the Department for Levelling Up, Housing and Communities (DLUCH) consulted on whether the 31 May deadline should remain in place for making accounts available for public inspection. In addition to our own response, responses on our behalf by the Local Government Association and Association of Local Authority Treasurers and others stated that the 31 May deadline is not realistic in the current environment and the national state of ongoing audit delays.
- 8.4.3 Despite the response to their consultation, DLUCH pressed ahead with re-introducing the 31 May date for publication of 2022/23 accounts.
- 8.4.4 On 24 May 2023, the Chartered Institute of Public Finance and Accountancy (CIPFA) CEO, Rob Whiteman reported that ‘Some senior leaders in local government have told us the 31 May deadline will not be achievable without considerable risk to their organisations and their professional standing’.
- 8.4.5 The national position in respect of the timeliness of local government accounts is a matter of concern. On the 25 January 2023, the National Audit Office (NAO) again reported on the timeliness of local auditor reporting and found that since 2017-18 there has been a significant decline in the number of local government body accounts including audit opinion published by the deadlines set by government. The NAO first reported this in 2021, when 45% of accounts for 2019-20 were published by the deadlines, down from 97% in 2015-16. The NAO’s latest, January update, reports that local auditors gave opinions on only 12% of local government bodies’ 2021-22 financial statements by the statutory deadline of 30 November 2022.
- 8.4.5 As with many local authority finance teams, we are facing the challenge of producing accounts against the backdrop of significant and continuing audit delays.

Triennial Valuation of the Pension Fund

- 8.5.1 In addition to the pressures already described, a particular issue has arisen in respect of the pension fund, which has significantly delayed production of the 2022/23 Statement of Accounts.
- 8.5.2 Local Government Pension funds are valued every three years (triennial valuation) to estimate future liabilities (payments to pensioners), asset values and other factors to arrive at the level of employer contributions required for the following three years.
- 8.5.3 The 2021/22 statement of accounts were published in July 2022 and reflected the latest triennial valuation (March 2019) and updated by the actuary for conditions at March 2022.
- 8.5.4 The delay in finalising the audit of 2021/22 for many local authorities means that information from the March 2022 triennial valuation of the pension fund has become

available and that some auditors are requesting that the accounts are re-done using the more up-to-date information.

8.5.5 On 30 May, the National Audit Office (NAO) issued supplementary guidance to auditors and CIPFA issued supplementary guidance to accounts preparers. The shared view of both bodies was that there is no need for the accounts to be re-stated using the triennial valuations, unless the original valuation in the accounts contained material omissions such as not taking account of an existing large-scale restructuring redundancy programme.

8.5.6 Contrary to the view of the NAO and CIPFA, Grant Thornton's view is that new information is now available which needs to be considered before giving an opinion and are unable to follow the NAO guidance, as Grant Thornton believe it would be contrary to International Standards on Auditing (UK).

8.5.7 Because Exeter's audit has not been signed off by the auditors, we have had to instruct a revised actuarial report for 2021/22 and 2022/23, at additional cost, and will now need time to work through revising our accounts for both financial years.

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

9.1 The Statement of Accounts set out the financial position at the end of the 2022/23 and the transactions of the Council during 2022/23, both of which help underpin delivery of the Corporate Plan.

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

10.1 Risk of audits for 2021/22 and 2022/23 not being concluded if we do not revise both sets of accounts in respect of the latest triennial valuations. Despite, NAO and CIPFA guidance, the Council are planning to re-state the accounts in order to mitigate this risk.

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: 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?

13.1 Not applicable

Director Finance

Author: Deputy Chief Finance Officer

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

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 4.36
01392 265275

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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 26 July 2023

Report of: Audit Manager

Title: Internal Audit Charter

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function? **COUNCIL**

1. What is the report about?

The Internal Audit Charter defines what Internal Audit is and explains its purpose, authority and responsibility. The Public Sector Internal Audit Standards (PSIAS) require that the Charter is reviewed and updated every two years or following a change to the service.

2. Recommendations:

2.1 The Audit and Governance Committee approve the updated Internal Audit Charter

3. Reasons for the recommendation:

3.1 To meet the requirements of the Public Sector Internal Audit Standards.

4. What are the resource implications including non financial resources.

4.1 None.

5. Section 151 Officer comments:

5.1 The Charter is an important part of the framework under which Internal Audit operates.

6. What are the legal aspects?

6.1 None identified

7. Monitoring Officer's comments

7.1 The Audits charter provides Exeter City Council with a blueprint for how internal audit will operate and helps the organisation to clearly signal the value it places on internal audit's and its independence.

The charter sets out what work internal audit will undertake and the support it will receive from management to achieve that work. Given that, the Monitoring officer is supportive of the Audit Charter.

8. Report details:

8.1 The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. It establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the Audit and Governance Committee.

8.2 In addition to the above, for public sector bodies the charter must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity
- cover the arrangements for appropriate resourcing
- define the role of internal audit in any fraud-related work, and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities

8.3 The Charter has been updated with the revised Internal Audit service objectives and some minor housekeeping amendments.

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

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 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 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

Director: **FINANCE**

Author: HELEN PUTT/HELEN KELVEY

AUDIT MANAGERS

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

Background papers used in compiling this report:-

None

Contact for enquires:

Democratic Services (Committees)

Room 2.3

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Internal Audit Charter

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1. Introduction

1.1 The purpose of this charter is to define what Internal Audit is and explain its purpose, authority and responsibility

1.2 For the purposes of internal audit activity the following terms are defined as follows:

- 'board' – the Audit and Governance Committee
- 'senior management' – the Strategic Management Board

2. Purpose, Scope and Authority

2.1 Purpose and role

The role of Internal Audit is to understand the key risks of the Council

To meet Internal Audit objectives, Internal Auditors are responsible for:

- reviewing and assessing the soundness, adequacy and reliability of financial and non-financial management
- reviewing and assessing the effectiveness of internal controls and, agreeing remedial action with management, where appropriate
- reviewing and assessing procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed
- checking for compliance with legislation, Council policies and procedures
- promoting and assisting the Council in the effective use of resources
- undertaking independent investigations into allegations of fraud and irregularity in accordance with Council policies and procedures and relevant legislation

The Public Sector Internal Audit Standards 2017 (PSIAS) defines Internal Audit as:

"... an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes"

2.2 Scope

There are no restrictions placed on the scope of Internal Audit work. As laid out in Financial Regulations Internal Auditors have unrestricted and unhindered access to all premises, assets and information across the Council as needed to perform their duties.

Financial Regulations 6(a) states:

'Internal Audit may investigate such financial records, systems and management procedures of the Council and its employees as considered necessary for the purposes of audit. For this purpose Internal Audit shall have authority at all reasonable times to visit all Council establishments and have access to all records and property of the Council and may require such explanations/assistance as he/she considers necessary'

2.3 Authority

The authority of the internal audit function is derived from legislation.

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) *A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

(2) *Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—*

(a) make available such documents and records; and

(b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

(3) *In this regulation “documents and records” includes information recorded in an electronic form.*

In addition, the requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which required that authorities shall ‘*make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs*’.

Exeter City Council has delegated these responsibilities to the Director Finance.

The Council’s own Financial Regulations (6) state that:

The Section 151 Officer shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.

(a) Internal Audit may investigate such financial records, systems and management procedures of the Council and its employees as considered necessary for the purposes of audit. For this purpose Internal Audit shall have authority at all reasonable times to visit all Council establishments and have access to all records and property of the Council and may require such explanations/assistance as he/she considers necessary.

(b) All employees of the Council through their Director, shall immediately notify Internal Audit of any circumstances which suggest the possibility of irregularity in cash, stock or any other matter which may have financial consequences.

(c) On confirmation of any irregularity or reasonable suspicion thereof, Internal Audit shall advise the Chief Executive, Director Finance and the Monitoring Officer as appropriate.

(d) The audit arrangements of any shared service shall form part of the agreement for that shared service.

3. Mission Statement of Internal Audit

3.1 To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

4. Core Principles

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk based assurance
- Is insightful, proactive and future focused
- Promotes organisational improvements

5. Objectives

5.1 Internal Audit's main objectives are to:

- 5.1.1 To contribute to the achievement of the Council's strategic objectives by providing a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- 5.1.2 Provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes which includes:
 - Agreeing remedial action with management where weaknesses or a breakdown in controls are identified in order to provide assurance on the adequacy and effectiveness of the control environment
 - Providing assurance that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
 - Providing assurance that significant risks to the organisation are identified
 - Providing assurance that risks to the achievement of service objectives are being managed
 - Highlighting opportunities to reduce costs through greater economy and efficiency with services
- 5.1.3 Provide advice and support to management to identify improvements and enable an effective control environment to be maintained
- 5.1.4 Promote a counter fraud culture within the Council to aid the prevention and detection of fraud

6. Provision and responsibilities

6.1 Provision of the Internal Audit Function

The Internal Audit Function is provided 'in house' and consists of the Audit Manager and 2 auditors each working 4 days per week, Monday to Thursday.

6.2 Organisational Status

Internal Audit is part of the Finance service. However, in order to maintain its independence Internal Audit has a right of access to the Chief Executive and/or the Leader of the Council and/or the Chair of the Audit and Governance Committee should circumstances warrant such. In addition, there is a right of access to Councillors as a matter of last resort.

6.3 The Audit Manager is responsible:

- in managerial terms (administratively) to the Director Finance
- for the performance of the Internal Audit Service (functionally) to the Audit and Governance Committee

6.4 The Audit Manager's responsibilities to the Audit and Governance Committee include:

- presenting for approval the internal audit charter
- presenting and obtaining approval of the risk-based audit plan of work
- reporting quarterly on the work undertaken by Internal Audit
- reporting any serious weaknesses found in the internal control systems, and any instances where corrective action has not been taken by management

- reporting any instances where responses to audit reports have not been received within a reasonable timescale of the issue of draft and/or final audit reports, and any instances where agreed remedial action has not been implemented within an acceptable time period
- providing an annual audit opinion of the overall adequacy and effectiveness of the Council's internal control environment
- reporting annually on conformance with the Public Sector Internal Audit Standards
- reporting annually performance against the quality assurance and improvement programme
- reporting annually on the Council's counter fraud work
- supporting the Council's risk management function and providing administrative support for the Corporate Risk Register

6.5 The Audit and Governance Committee responsibilities are in accordance with the committee's terms of reference

6.6 Non-audit activities

In exceptional circumstances, Internal Audit may be required to undertake non-audit duties. Where this situation occurs, the Audit Manager will ensure that separation of duties takes place i.e. the auditor undertaking the non-audit task will not be responsible for auditing that area for at least 12 months.

6.7 Consulting Activities

At the specific request of senior management, Internal Audit may provide consultancy services, provided:

- the internal auditor's independence is not compromised
- the internal audit service has the necessary skills to carry out the assignment, or can reasonably obtain such skills
- the scope of the consultancy assignment is clearly defined
- the audit service has the resources to complete the assignment without compromise to its planned work.

Audit reports relating to consulting activities will not contain an overall opinion or assurance rating and will not be followed up by Internal Audit, however, some audits may be a combination of assurance and consultancy work, in which case, any consultancy work will be included in the normal audit report.

Consulting activities will be conducted in accordance with PSAIS.

7. Code of Ethics

7.1 The Internal Audit Service operates in accordance with the Public Sector Internal Audit standards 2017 (PSIAS) by:

- ensuring that all internal auditors conform to the Code of Ethics principles of integrity, objectivity, confidentiality and competency
- implementing the Attribute and Performance Standards as detailed in Section 5 of the standard

7.2 Internal Audit staff are required to make an annual affirmation of their knowledge of, and compliance with, the PSIAS Code of Ethics and must also have regard to the Committee Standards of Public Life's *Seven Principles of Public Life*.

8. Audit Coverage and Plan

8.1 Audit Strategy

Audit coverage is based on risk. It is informed by the board, senior management, the corporate risk register and horizon scanning for emerging risks. The level of coverage is determined by the business need of the Council and the level of risk identified.

The Audit Manager prepares a risk-based audit strategy and translates this into a four year rolling plan that provides a guide of cyclical coverage of audits. All systems are risk assessed as part of the audit planning process and the aim is for 'high' risks to be audited annually, 'medium' risk systems audited every two years and 'low' risk systems audited as required. It should be noted that where systems have not been audited for some time, this will increase the risk over time and a low risk could increase to medium risk. Where there is a difference between the strategy/plan and resources available, this is reported to the Audit and Governance Committee.

8.2 Annual audit plan & resourcing

To implement the audit strategy, an annual audit plan is established using a risk-based assessment methodology. The plan determines in broad terms the resources and skills needed, and is used for allocating Auditors' work. Should the plan indicate a need for additional resources, this will be discussed with the Director Finance. The Strategic Management Board and the Chair/Deputy Chair of Audit and Governance Committee along with Directors are consulted on the plan during the planning process. The plan is then presented to senior management for comment prior to being approved by the Audit and Governance Committee in March every year. The plan is flexible and includes a contingency to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc. The plan is continually reviewed against the Council's changing needs and the plan may be revised during the year if Council priorities change. The Audit and Governance Committee will be informed of any changes made to the audit plan.

8.3 The Council will make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

9. Service Standards

9.1 What you can expect from us:

- Internal Auditors will, at all times, exercise due professional care, act with integrity and take a professional, reliable, independent and innovative approach to their work.
- It is essential that Auditors are impartial so that when an audit opinion is requested it will be unbiased and based upon the facts available. Should a situation arise where impartiality could be questioned, then another Auditor will be assigned to undertake the task concerned.
- Where an auditor was previously employed within a service/area subject to audit then the Audit Manager will ensure that the auditor concerned is not assigned audits in that area until an appropriate amount of time has elapsed (for example, 12 months).
- Where a conflict or potential conflict of interest arises during an audit, which was not foreseen at the start of the audit, this will be reported immediately to the Audit Manager and the auditor will be replaced by another member of the team.

9.2 What we expect from you:

- Requests for information/documents are dealt with in a timely manner

- Managers and staff should co-operate with the Auditors, at all times and behave with courtesy and respect
- Following the issue of a draft report managers should agree to attend a meeting discuss remedial action within 10 working days of issue of the report.

10. Reporting

10.1 Audit reports:

- show the findings based on a risk assessment e.g. high, medium and low or may be advisory (a finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice)
- include an action plan showing the agreed actions and the target date for implementation
- give an opinion of the system as at the time of the audit
- define the circulation of the draft and the final reports

10.2 Audit report circulation/Reporting structure:

- Service Leads and Line managers receive a draft report for discussion followed by the final report
- Directors receive a copy of all final reports relating to their area of work
- Director Finance receives a copy of all reports for information
- Chief Executive is advised of any 'findings where remedial action is not agreed by both management and internal audit and of any remedial action agreed by management but not subsequently implemented

10.3 Reporting standards

Upon completion of audits, draft audit reports are issued to the relevant line managers for them to confirm the accuracy of the audit findings. Managers are invited to meet with the Auditor within 10 working days to discuss the report and their response to each finding on the draft report. The remedial action agreed is then recorded in the final report, along with dates for action or implementation.

Audit follow-ups are conducted within 12 months of the final report being issued, except for significant issues which will be followed up sooner and monitored more closely, as appropriate,

Where an Audit is conducted annually, the follow-up will form part of the next audit. An opportunity to immediately rectify any outstanding issues will be given but where this is not done the outstanding issues will be reported to the Audit and Governance Committee. The relevant Director will be notified in advance that the matter is being reported to Audit and Governance Committee.

Low risk findings are not required to be followed up but this will be at the auditors own discretion.

Any agreed remedial action not implemented within a reasonable timescale and any 'high' risk findings that are not accepted will be reported to Strategic Management Board and the Audit and Governance Committee in accordance with the committee's terms of reference.

In summary, Internal Audit works to the reporting quality standards of:

- draft audit reports to be issued within 10 working days of the completion of the results table

- final audit reports to be issued within 10 working days of the discussion of the draft audit report
- final reports to be followed-up within 12 months of the date of issue of the final audit report to ensure that the agreed remedial action due for implementation has been completed

11. Quality assurance

11.1 Internal Audit has established a Quality Assurance and Improvement Program (QAIP). This has been designed to provide reasonable assurance to the various stakeholders of the Internal Audit Service that; Internal Audit:

- performs its work in accordance with this Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- operates in an effective and efficient manner; and is perceived by stakeholders as adding value and improving Internal Audit's operations. To that end, Internal Audit's QAIP will cover all aspects of the Internal Audit activity including:
 - ✓ Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner
 - ✓ Ensuring compliance with the Standards, Definition of Internal Auditing and Code of Ethics
 - ✓ Helping the Internal Audit activity add value and improve organizational operations
 - ✓ Both periodic and ongoing internal assessments
 - ✓ An external assessment at least once every five years, the results of which are communicated to SMB and the Audit & Governance Committee

The Audit Manager is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consulting (where applicable).

11.2 External assessments of the internal audit service are also conducted annually by the Council's external auditors.

11.3 Internal auditors are required to enhance their knowledge, skills and other competencies through continuing professional development.

12. Relationships

12.1 General - in all of these relationships the person/s concerned will be treated with respect, courtesy, politeness and professionalism. Any confidential or sensitive issues raised with, or reported to, Internal Audit staff will be dealt with in an appropriate manner. Where issues could cause embarrassment to the Council, the appropriate manager will be advised immediately so that the issue can be addressed without delay.

12.2 Internal - the main contacts are with: Council employees, service leads, line managers, Directors and the Chief Executive. Prior to the start of each audit, the auditor will meet with the manager to complete a pre-audit questionnaire. As part of this process, the auditor will agree with the manager concerned the timing and scope of the audit and the circulation of the audit report.

12.3 Councillors – the main means of communication between Internal Audit and Councillors is via the Audit and Governance Committee which meets 4 times per year.

12.4 External – Internal audit will liaise with the external auditors in order to:

- foster a co-operative and professional working relationship
- eliminate the incidence of duplication of effort
- ensure appropriate sharing of information
- co-ordinate the overall audit effort

13. Fraud and irregularities

13.1 The Audit Manager is responsible for reviewing and updating the Council's Counter Fraud Strategy and for promoting an anti-fraud culture within the Council. This is achieved by the following:

- raising awareness of fraud by providing counter fraud training via an e-learning package to all existing staff and all new staff as part of their induction
- assessing the Council's level of compliance with the recommendations contained in the Fighting Fraud Locally Strategy
- specific detailed testing in high risk areas
- participation in the National Fraud Initiative data matching exercise
- provision of a fraud hotline to allow suspected fraud and irregularity to be reported by telephone/internet directly to Internal Audit either anonymously or with contact detail provided
- investigation of all areas of concern identified through routine audit, reported to management or via the Council's Whistleblowing policy

13.2 Directors are responsible for managing risks in order to prevent fraud, irregularity, waste of resources, etc. Internal Audit will assist service leads and Directors to effectively manage these risks. However, no level of controls can guarantee that fraud will not occur, even when the controls are performed diligently with due professional care.

13.4 Where there is evidence or reasonable suspicion that a fraud or irregularity has occurred, then this must be reported immediately to Internal Audit. All cases will be dealt with in accordance with the Council's 'Counter Fraud Strategy' and 'Whistleblowing Policy' and the Fraud Response Plan.

14. Non-conformance

14.1 Any instances of non-conformance with the definition of Internal Audit, Code of Conduct or the PSIAS will be reported immediately to the Section 151 Officer and reported to the Audit and Governance Committee. For significant breaches, and if deemed appropriate, consideration will be given to inclusion in the Annual Governance Statement.

15. Review

15.1 The Internal Audit Charter will be reviewed biennially by the Audit Manager and presented to senior management and the Audit and Governance Committee for approval.

16. Audit Process Diagram

16.1 See below.



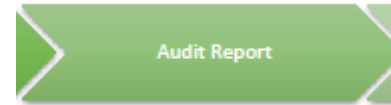
Pre-audit

- Auditor will contact Service Lead to advise of audit, to identify any areas of concern and to ask for a nominated point of contact to liaise with the Auditor
- Auditor meets with Service Lead and/or nominated contact to complete Pre-audit Questionnaire (PAQ) and to discuss proposed scope of audit
- Proposed scope of audit agreed and signed off by the Audit Manager
- Copy of the PAQ sent to Service Lead and/or nominated contact to confirm agreed scope of audit
- The pre-audit phase establishes the areas of risk to be assessed and is an opportunity to raise issues or concerns that would benefit from audit review



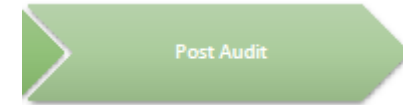
Fieldwork

- *Fieldwork Review*
- Auditor working with nominated staff to determine how well the service is managing associated risk and what controls are in place to support this
- The review could be conducted via interviews, detailed testing, analysis of documents
- *Fieldwork Feedback*
- On completion of the fieldwork, Auditor will discuss any identified issues with the Service Lead and/ or nominated contact



Audit Report

- *Draft Report*
- Will be submitted within 2 weeks of completing the review to the Service lead and/or nominated contact
- This provides the Auditor's opinion in accordance with the Internal Audit definitions
- Remedial action to be agreed between all parties at meeting to discuss draft report
- All remedial action agreed must have a named owner and target date
- The remedial action agreed confirms commitment to the action plan and timescales
- *Final Report*
- Auditor issues final report confirming agreed actions and timescales



Post Audit

- *Implementation of remedial Action*
- Agreed actions must be implemented in accordance with the timeframe approved within the final report
- Audit Manager provides a summary of all audit reports to Audit & Governance Committee quarterly
- Members of Audit & Governance may ask for a full copy of any audit report
- *Follow Up*
- The Service Lead or nominated contact to provide update against target dates to Auditor when requested
- Non-implementation of remedial action will be reported to the relevant Director and/or the Chief Executive and may be reported to Audit and Governance Committee

Internal Audit Charter

Document property	Value
Author:	Helen Kelvey / Helen Putt
Source Location:	S:/Audit/Audit Documents
Related Documents:	Audit Manual Quality Assurance and improvement programme Counter Fraud Strategy Whistleblowing Policy
Date Created:	March 2017
Document Status:	Live

17. Document Control

This document is subject to change control and any amendments will be recorded below.

18. Change History

Version	Date	Changes
2.0	March 2015	Reviewed and updated to reflect changes in service provision
3.0	March 2017	Reviewed and updated to reflect changes in senior management structure, inclusion of mission statement and core principles, changes to reporting and follow up processes
4.0	March 2019	General review, minor amendments and housekeeping
5.0	July 2021	General review, minor amendments and housekeeping. A&G approval Sept 2021.
6.0	March 2023	Update of Internal Audit objectives. General review, minor amendments and housekeeping. A&G approval July 2023.

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REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 26 JULY 2023

Report of: AUDIT MANAGERS

Title: ANNUAL REPORT OF INTERNAL AUDIT FOR THE YEAR ENDED 31 MARCH 2023

Is this a Key Decision?

No

Is this an Executive or Council Function?

COUNCIL

1. What is the report about?

The annual Internal Audit Report conforming to the Public Sector Internal Audit Standards and timed to inform the Council's Annual Governance Statement, including the quarterly update on the progress of Internal Audit work.

2. Recommendations:

2.1 Members are recommended to note the contents of the Annual Internal Audit Report.

3. Reasons for the recommendation:

3.1 To comply with the Public Sector Internal Audit Standards and Corporate Governance best practice.

4. What are the resource implications including non financial resources.

None

5. Section 151 Officer comments:

Members should take comfort from the overall opinion that the key systems are operating satisfactorily, however certain audits were completed that resulted in limited assurance. Action plans have been agreed with management and it should be noted that there were no instances where remedial action was not agreed. Internal Audit will follow-up all medium and high risk findings during the course of 2023-24.

6. What are the legal aspects?

Non identified

7. Monitoring Officer's comments:

Whilst it is pleasing to note that the audit team reports "*that the key systems are operating satisfactorily and that there are no fundamental breakdowns of control resulting in material discrepancy*", a number of areas have been highlighted as achieving only limited assurance. Internal audit has identified some areas of weaknesses around invoicing and debt collection of debt for all income streams which need to be addressed.

8. Report details:

8.1 The Public Sector Internal Audit Standards (PSAIS), which came into effect in April 2013, require that:

- The Audit Manager must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control

- The annual report must incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement Programme

8.2 The Annual Audit report is attached as Appendix A.

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. Are there any other options?

N/A

**Helen Putt/Helen Kelvey
Audit Managers**

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

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

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Annual Report 2022-23

Internal Audit Service

**Helen Kelvey/Helen Putt
Audit Manager**

Contents

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Overall Opinion and Assurance Statement	4
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1. Introduction

Purpose of this report

- 1.1 The Director Finance, as the S151 is responsible for maintaining an adequate and effective system of internal audit.
- 1.2 It is the responsibility of senior management to establish an appropriate and sound system of internal control that supports the achievement of the Council's objectives and for putting in place arrangements for gaining assurance about the effectiveness of that overall system. A key element of assurance is the overall assurance opinion from the Audit Manager.
- 1.3 The main objectives of the internal control systems are to ensure:
- compliance with the Council's policies, procedures and directives in order to achieve the Council's objectives
 - high standards of corporate governance are achieved and maintained throughout the Council
 - that assets are safeguarded
 - the relevance, reliability and integrity of information and the completeness and accuracy of records
 - compliance with statutory requirements, recognized standards and best practice.
- 1.4 Systems of control can only ever provide reasonable, but not absolute, assurance that control weaknesses and irregularities do not exist, and that there are no risks of material errors, losses, fraud or breaches of laws or regulations. The Council is therefore continually seeking to improve the effectiveness of its systems of internal control.
- 1.5 The Public Sector Internal Audit Standards (PSAIS), which came into effect in April 2013, require that:
- the Audit Manager must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement
 - the annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control
 - the annual report must incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme

The role of Internal Audit

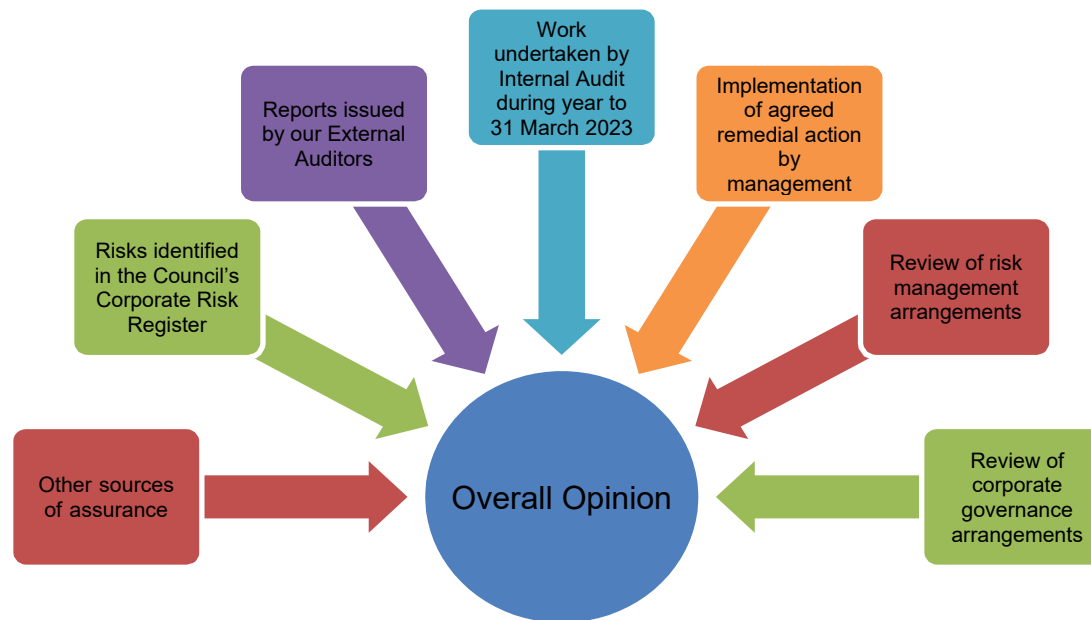
1.6 The Public Sector Internal Audit Standards 2017 (PSIAS) defines Internal Audit as “... an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”

1.7 Internal Audit is charged with continually reviewing the system of internal control system on behalf of the Council and its management. Internal Audit objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The work of Internal Audit is based upon a risk assessment of the Council’s financial and non-financial systems, from which an annual audit plan is established that was approved by the Audit and Governance Committee in March 2022.

2. Overall Opinion and Assurance Statement

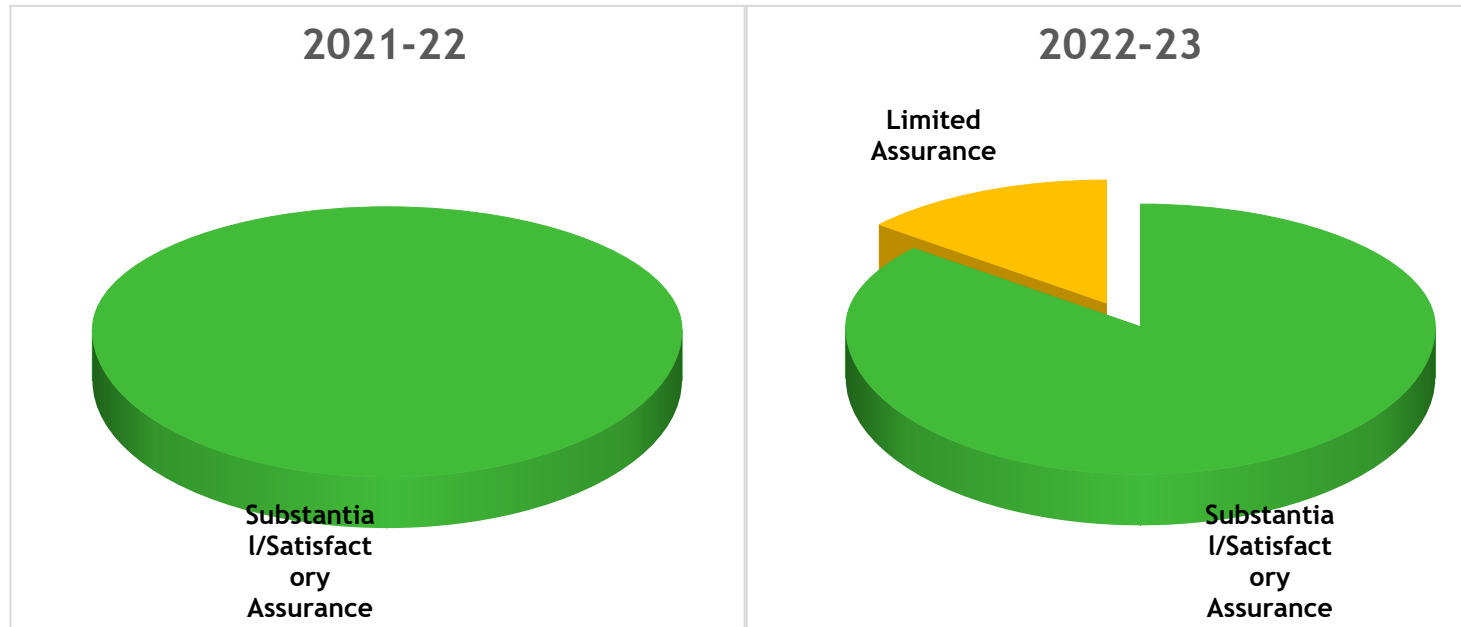
Basis of Opinion

2.1 Our evaluation of the control environment is informed by a number of sources:



Summary of assurance provided by the Internal Audit Service

2.2 A summary of all the assurance we have provided during the year is shown below. This includes each audit review directed to provided controls assurance but it excludes any fraud investigation work.



Management’s response to our findings

2.3 Management’s response to Internal Audit findings throughout the year was positive. Action plans were agreed and actions are already being implemented by nominated officers. There were no instances where remedial action was not agreed with management. We will follow-up all ‘medium’ and ‘high’ risk findings during the course of 2023-24 and continue to provide support to management to develop and implement solutions to the controls issues identified.

Follow-up of our previous work

2.4 We have undertaken work to ascertain progress in implementing previously agreed remedial action from all work completed in previous year’s reviews. Good progress has been made to implement the action plans as agreed, however, in some instances management have not been able to implement the remedial action within the timescales originally agreed. However, most agreed remedial action has been or is being implemented and revised action plans have been agreed where necessary.

Overall Opinion

- 2.5 From the audit work undertaken during the year and taking into account the other sources of assurance identified above, we consider that the key systems are operating satisfactorily and that there are no fundamental breakdowns of control resulting in material discrepancy. As mentioned above, no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, this statement is only intended to provide an opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2023.

3. Key Issues and themes

Internal Control Framework

- 3.1 Debt Collection – The Council has actively been seeking to identify new income streams as part of the 'One Exeter' project. Whilst this is good news, our work has identified that there are significant weaknesses within service areas around raising invoices and the subsequent collection of debt for all income streams. For example, services are being provided but invoices are not always raised, or not raised promptly, to collect fees for services provided. It should be noted that this weakness relates only to service areas and does not apply to the Council's Income Collection Team.
- 3.2 Financial position – Significant inflation fueled by high energy prices, a higher than anticipated national pay settlement and income streams still struggling to reach the budget meant that the Council had to take action to address significant issues during 2022/23. The unprecedented cost pressures also meant that significant reductions and additional income were required to deliver a balanced budget for 2023/24.

The Council's medium term financial plan anticipates reserves being reduced to the minimum required by 2024/25 and further budget reductions of £5.1m are required by 2028. It is imperative that Members maintain a strong financial discipline to ensure that the reductions are delivered. It should also be noted that areas of concern around income targets; business rates, parking, trade waste, Civic Centre rental will require close monitoring during the year.

- 3.3 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 digitalisation/transformation of service delivery
- 3.4 These key issues are reported within the Annual Governance Statement, along with a summary of action to be taken. Progress will be subject to regular monitoring by this Committee.

Risk management

- 3.5 During the year, we completed an audit review of Risk Management and, as reported, the system was assessed as Satisfactory Assurance. During the Audit we have worked with Service Leads to review and update operational risk registers. Work has also been undertaken by Directors, with the

assistance of the Council's insurers, Zurich and facilitated by Internal Audit, to review the Council's Corporate Risk Register and a revised format is being developed. The administration of the Corporate Risk Register (CRR) sits with Internal Audit and one of the Audit Managers meets with Directors and the Chief Executive on a regular basis to review the CRR prior to review by SMB.

Counter Fraud

3.6 At the end of 2021/22 we conducted self-assessment of Counter Fraud using the Government's Fighting Fraud Locally checklist. Matters arising from this were followed up during 2022/23. A further self-assessment is due to be undertaken during 2023. The Council's Counter Fraud Strategy was reviewed and presented for approval by this committee on 30th November 2022.

Regulation of Investigatory Powers (RIPA)

3.7 As co-ordinators of RIPA for Exeter City Council we are required to report to this committee on the use of RIPA by the Council. During 2022-23 RIPA powers were not used by this Council.

4. Delivery of 2022-23 Audit Plan

4.1 The Internal Audit plan for 2022-23 was approved by the Audit and Governance Committee in March 2022 and the committee received quarterly updates on progress against the plan. The table below shows the completion of the approved audit plan together with outcomes of all audits undertaken within the year, (including those completed in Quarter 4 - 1st January 2023 to 31st March 2023). Updates and changes to the plan have been reported quarterly and been approved by this committee.

PROGRESS OF 2022/23 AUDIT PLAN AND SUMMARY OF OUTCOMES

Audit Area	Budget Days	Actual Days	Report Status	Audit opinion	Summary of Audit Outcome
IT/STRATA – Asset Management	10	10.6	Final	Limited Assurance	<p>The scope of the audit included:</p> <ul style="list-style-type: none"> Contractual arrangements & responsibilities Records of hardware assets (including configuration management database) Procuring new ICT equipment Recharge of costs Leavers process and return of equipment Accounting for ICT hardware assets – including asset registers Insurance cover
Main Accounting – Accounting for Leisure Services Income	16	22.2	Final	Limited Assurance	<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 financial and non-financial risks relating to Leisure Services income.</p> <p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> Membership income – ensuring that income received reconciles to membership database

					<ul style="list-style-type: none"> Analysing receipts coded to F058 91008 (miscellaneous income) and tracing the sources of income Reviewing income paid directly to ECC bank account – e.g. in respect of invoices raised directly through Legend <p>A number of issues were identified relating to all areas within scope. This was primarily due to the following factors:</p> <ul style="list-style-type: none"> A comprehensive review of the financial processes within the Leisure Centres was not undertaken as part of bringing the service back ‘in house’ due to the tight timescales of the project the processes inherited from Legacy Leisure did not align with those of the Council. <p>Remedial action has been agreed with management for all issues identified.</p>
Income Management					The time allocated for this area of work was combined with the Main accounting time in order to undertake the detailed work required to undertake the accounting for leisure income audit.
Procurement	10	14.5	Final	Satisfactory	<p>The agreed scope of the audit included a review of the following for each procurement project selected:</p> <ul style="list-style-type: none"> options appraisal exemptions authorisation of procurement production of tender pack evaluation of tenders evidence that best value has been obtained publication of details of contracts over £5k <p>A total of 3 medium risk issues were identified and remedial action was agreed with management for all issues identified.</p>
Creditors – Post Implementation Review of e-Procurement Module	10	22.2	Final	Limited Assurance	<p>In September 2022 a new e-Procurement module was implemented as part of the efinancials system. As part of this, the process moved from central order processing to orders being processed by the individual services. This audit was a post-implementation review, the scope of which was as follows:</p> <ul style="list-style-type: none"> gather feedback on the new system from a sample of officers identify the issues being encountered by staff following implementation <p>A total of 2 high risk and 11 medium risk issues were identified. The high risk issues related to:</p> <ul style="list-style-type: none"> service leads not fully considering/understanding the impact this change in the process would have on service resources delays in dealing with mis-matched orders <p>Remedial action has been agreed with management for all issues identified.</p>
People Management	17	14.4	Final	Payroll Substantial	Reported Q4

				Non-payroll Satisfactory Substantial	
Elections & Electoral Registration	10	10.6	Final	Substantial	Reported Q2
Private Sector Landlord Services	10	12.0	Final	Satisfactory	Reported Q2
Better Care Fund Grant (DFG & Warm Up Grants)	18	17.4	Final	Substantial	Reported Q1
Waste and Recycling	10	11.7	Final	Substantial	Reported Q3
Building Greater Exeter (BGE)	10	10.3	Final	Satisfactory	Reported Q1
Climate Change/Net Zero Exeter	15	6.3	In progress		The outcome of this report will be reported to the next meeting.
Commercialisation and Project Management	15	2.0	Deferred		Due to Business and Commercial Manager being off sick for some time it has not been possible to start this audit and there are now proposed changes in the service, therefore, this audit will not be completed in 22/23.
Sport England – Live and Move	15	4	No report due		<p>It was originally planned to undertake a governance review with the time included in the plan, however, as a full governance review was now to be taken by the responsible Director, the time was used as follows:</p> <ul style="list-style-type: none"> to assist in the investigation of a potential fraud related to a contracted training provider – The outcome of the investigation was that although the case was not proven, the investigation was not helped by the poor project management processes in place. In order to ensure that this situation did not arise again, a full review of the 'Live and Move' project management processes was undertaken (see below) to undertake a review of the revised 'Live and Move' project management process following the changes made after the investigation and to feedback any gaps. The only issue identified in the new process was that the process did not include the need to undertake an EQIA for all projects – no report due
Communications – Social Media	8	9.1	Final	Satisfactory	Reported Q2
Leisure Facilities – St Sidwell Point.	15	15	Final	Satisfactory	<p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> policies and procedures health and safety (risk assessments, water quality testing, other checks) general security (fire detection evacuation, emergency action plan) inventories staff recruitment, induction and training (including verification of qualifications, DBS checks) <p>The following was excluded from scope:</p>

					<ul style="list-style-type: none"> income collection and reconciliation (this was included as part of the Accounting for Leisure Income Report) <p>A total of 1 high risk and 1 medium risk issues were raised. The high risk issue related to a DBS check for a member of staff which has now been completed.</p>
Housing Benefit Subsidy-claims from state pension age claimants not in receipt of pension credit	12	14.2	Final	Satisfactory	Reported Q3
Council Tax – Energy Rebate Scheme	12	14.8	Final	Substantial	<p>On 3rd February 2022 the Secretary of State for Levelling Up, Housing and Communities announced a package of support for rising energy costs which would be administered through the billing authorities.</p> <p>The scope of the audit was to check that rebates were paid in accordance with the scheme conditions.</p> <p>A small number of issues were identified and remedial action was agreed with management.</p>
Sundry Debtors	12	22.9	Final	Income Collection Team Substantial	Reported Q3
				Service Areas Limited Assurance	
Health & Safety – Follow-up of outstanding reports	12	4.1	Final	Satisfactory	<p>The time allocated in the plan was used to follow-up two outstanding reports that had been referred to the Corporate Health and Safety Group for discussion. The reports were:</p> <ul style="list-style-type: none"> Lone Workers Hand Arm Vibration <p>Remedial action was agreed with the group for all issues raised and the agreed actions have been added to the corporate action plan.</p>
Equalities and Diversity	9	2.6	No report due		The time used was to undertake a follow-up and assess the progress against the Equalities Group action plan. Progress was found to be satisfactory.
Risk Management	10	16.9	Final	Satisfactory	<p>The scope of the audit included a review of:</p> <ul style="list-style-type: none"> Risk management policy and supporting documents Training provided to members and officers Service risk registers <p>A total of 4 medium risk issues were identified and remedial action was agreed with management.</p>
Business Continuity	10	7.4	Draft Report	Satisfactory	<p>The scope of the audit was to review the progress of the implementation of Business Continuity Management across the Council.</p> <p>This report is still in draft with a meeting date set to discuss with management.</p>

Contract Management	10	12.9	Final	Satisfactory	<p>Contract management is the process that enables both parties to meet their obligations in order to deliver the objectives required from the contract. A sample of contracts were selected for review across all service areas and examined in details to ensure they are managed appropriately and in accordance with best practice.</p> <p>A total of 3 medium risk issues were identified and remedial action was agreed with management</p>
External Grants/Funding received	9	12.1	Final	Substantial	Reported Q4
Safeguarding	9	5.2	Final	Satisfactory	<p>Safeguarding is the action taken to protect the health, well-being and human rights of individuals, which allow people, especially children, young people and vulnerable adults, to live free from abuse, harm and neglect. The scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • Policies and procedures • Governance • Vetting of employees • Training and development • Management information and reporting • Safeguarding at events on council land <p>A total of 4 medium issues were identified and remedial action was agreed with management.</p>
Performance Management	9	0.1	Deferred		The One Exeter Project has focused on service reviews and therefore the performance management process has not progressed. This will be included in the next stage of the One Exeter project and audit assurance work will be included in the plan once a process is in place.
Exeter City Living	14	2	Deferred		The deferring of this audit was reported to A & G December 2022.
Covid related work/Post assurance: Omicron Test & Trace Support	30	12.5	Final Final	Substantial Substantial	Reported Q2
Review of Hospitality/Disclosures	3	2.6	Final	Satisfactory	<p>The Council has both a Members Code of Conduct and an Officers' Code of Conduct within the constitution which requires that any gifts or hospitality received by Councillors and staff must be reported to the Monitoring Officer.</p> <p>The audit included a review of:</p> <ul style="list-style-type: none"> • Guidance to staff • The process for recording gifts and hospitality • A review of the register <p>A total of 2 medium risk issues were identified and remedial action agreed with management.</p>

Other

RIPA Administration	2	2.9
Contingency (special/frauds)	30	28.9
Follow-ups	10	9.2
Audit Development – Data Analysis/CAAT development	5	5.3
Audit planning and control	60	51.5
NFI	15	12
External Audit	2	1.6
Work against areas with no allocated time in plan	0	40.8
Total	474	464.8

Notes

* overspend on non-productive days i.e. Admin & Meetings and CRR Admin support resulted in the decrease in productive days

5. Summary of investigations 2022/23

5.1 In addition to the planned work, we have also worked on a number of reported concerns and investigations. A summary of this work is shown below, which includes all fraud that has been identified during the year (excluding housing benefits fraud).

Internal Audit received 23 reports during 2022/23, (27 in 2021/22)

- 15 were received via the online “Report It” facility on the website (8 were reported anonymously)
- 3 were received via the telephone
- 5 were received via email

Of the 23 reports received:

- 15 were in relation to possible fraudulent claims of housing benefit and single occupier discount for council tax purposes. HB cases were referred on to the DWP for investigation, as with effect from 01 April 2015 all HB fraud investigation is now undertaken by them. All single occupier discount cases were referred to the Council Tax service for further investigation.
- 6 were allegations of housing tenancy issues
- 2 were issues not dealt with by the Council so were referred to the appropriate external agency

Fraud identified within other services 1 April 2022 to 31 March 2023

Date	Type of Fraud	No of cases	Total Value	How detected
08.11.22	Bank Mandate	1	£152.25	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council
27.03.23	Bank Mandate	1	£100.00	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council

Use of Whistleblowing policy

No concerns were raised under the Whistleblowing Policy.

6. Quality Assurance and Improvement Programme

6.1 The Public Sector Internal Audit Standards (PSIAS) state that the Audit Manager must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity and to demonstrate that the internal audit service is:

- (a) meeting its aims and objectives;
- (b) compliant with the PSIAS;
- (c) meeting internal quality standards;
- (d) effective, efficient, continuously improving; and
- (e) adding value and assisting the organisation in achieving its objectives

The results of the programme must be reported at least annually to the Audit and Governance Committee.

6.2 Performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the internal audit service as a whole.

This performance management and quality assurance framework must include, but is not limited to:

- A comprehensive set of targets to measure performance. The Audit Manager should measure, monitor and report appropriately on the progress against these targets;

- seeking user feedback periodically for the whole service;
- Periodic self-assessments to evaluate conformance with the Code of Ethics and the Standards
- An external assessment every 5 years with the scope agreed by an appropriate sponsor; and
- An action plan to implement improvements.

Performance Indicators

6.3 There are no national performance indicators in existence for Internal Audit, but we do monitor the following Local Performance Indicators (LPI's):

Local Performance Indicator	Target	Actual
Percentage of Audit plan completed	95%	98%
Draft reports produced within 10 days	90%	96%
Final reports produced within 10 days	90%	96%
Follow-up within 12 months	95%	100%
Number of process improvements		3

Public Sector Internal Audit Standards (PSIAS)

Independent Assessment

6.7 The PSIAS requires that an independent assessment of compliance with the standard is undertaken once every 5 years. This assessment was last undertaken in January 2020. The next review will need to be undertaken by the end of January 2025.

Self-Assessment

6.8 The standard also requires that the Audit Manager undertakes a periodic self-assessment of compliance. The last self-assessment was undertaken in March 2023, when it was found that the service was 97.9% compliant.

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 26 July 2023

Report of: Director Finance

Title: Annual Governance Statement 2022-23

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 The report sets out the Annual Governance Statement that will accompany the Council's Statement of Accounts for 2022/23.

2. Recommendations:

2.1 Audit and Governance Committee supports the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2022/23; and

2.2 Council notes and approves the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2022/23

3. Reasons for the recommendation:

3.1 The Council is required to prepare and publish an Annual Governance Statement by Regulation 4 of the Accounts and Audit (England) Regulations 2011. It reports on the Council's performance against the Code of Corporate Governance. The Code of Corporate Governance was last approved by the Audit and Governance Committee on 8 March 2023.

4. What are the resource implications including non financial resources

4.1 There are no resource implications contained within the report.

5. Section 151 Officer comments:

5.1 The production of the Annual Governance Statement is a statutory requirement, which reviews any significant issues raised in respect of Corporate Governance.

6. What are the legal aspects?

Non identified

7. Monitoring Officer's comments:

Local authorities are required to ensure its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and is properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, the council is required to have proper arrangements in place for

the governance of its affairs, facilitating the effective exercise of its functions and ensuring arrangements are in place for the management of risk.

Exeter City Council's Governance framework comprises a system of process; culture and values by which we engage with and lead the community. It enables the Council to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

8. Report details:

8.1 The Code of Corporate Governance, which the Annual Governance Statement reflects, has been updated to reflect the new principles set by CIPFA/SOLACE.

8.2 The Annual Governance Statement should include the following information:

- An acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control);
- An indication of the level of assurance that the systems and processes that comprise the authority's governance arrangements can provide;
- A brief description of the key elements of the governance framework, including reference to group activities where those activities are significant;
- A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of:
 - the authority;
 - the executive;
 - the audit committee/overview and scrutiny function/risk management committee/standards committee (as appropriate)
 - internal audit
 - other explicit review/assurance mechanisms
- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

8.3 The Annual Governance Statement is attached at Appendix A.

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

9.1 This is a statutory requirement and does not contribute directly to the Council's Corporate Plan.

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

10.1 There are no direct risks associated with this report.

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: because

11.4.1 The report does not set policy.

12. Carbon Footprint (Environmental) Implications:

No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

13.1 Not applicable.

Director Finance, Dave Hodgson

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

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 4.36
01392 265275

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Exeter City Council

Annual Governance Statement

2022-23

Scope of Responsibility

Exeter City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016). This statement explains how Exeter City Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, paragraph 4(3), which required all relevant bodies to prepare an Annual Governance Statement.

The Code of Governance sets out the seven principles of good governance and the arrangements the Council has put in place to meet each of these principles:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining interventions necessary to optimise the achievement of the intended outcomes
5. Developing the Council's capacity. Including the capability of its leadership and individuals within it
6. Managing risk and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability

A copy of the Council's code is available on our website.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled together with activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its purposes and to consider whether those purposes have led to the delivery of appropriate, cost-effective services.

The Council's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. There is an ongoing process designed to identify and prioritise risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Exeter City Council for the year ended 31 March 2023 and up to the date of the approval of the annual statement of accounts.

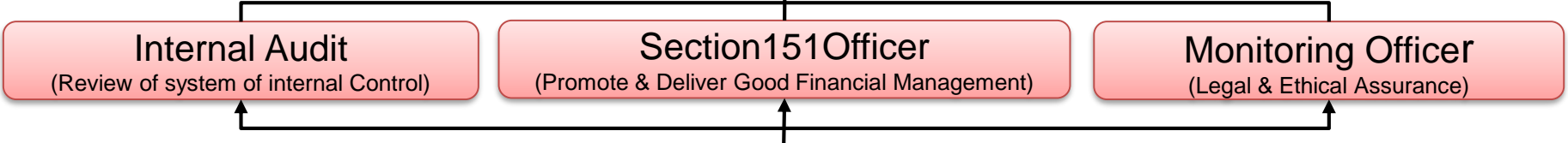
The Governance Framework

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Council's Corporate Plan 2022-26. The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

The local Code of Corporate Governance is reviewed annually through the Audit and Governance Committee and was last reviewed and recommended for approval by Council on 08 March 2023. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Strategic Management Board (SMB) which comprises the Chief Executive, Directors, Director Finance (Section 151), Director Corporate Services (Monitoring Officer).

The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives. The Code of Corporate Governance sets out the controls in full.

Annual Governance Statement



- Regulatory**
- Constitution
 - Terms of Reference
 - Members' Code of Conduct
 - Member/Officer Protocol
 - Scheme of Delegation
 - Financial Regulations
 - Standing Orders
 - Record of Decisions
 - Forward Plan
 - Register of pecuniary interests
 - Register of gifts & hospitality
 - Audit & Governance Committee
 - Regulatory Oversight
 - Scrutiny Framework
 - External Audit
 - Internal Audit
 - Head of Paid Service
 - Section 151 Officer
 - Monitoring Officer
 - Member Development Framework
 - Member's Toolkit

- Corporate**
- Corporate Plan 2022-26
 - 'One Exeter' Programme
 - Risk Management Policy & procedures
 - Business Continuity Policy & Plans
 - Corporate Risk Register
 - Health & Safety Committee
 - Corporate Safeguarding Group
 - Corporate Complaints Procedure
 - Surveys/Focus Groups
 - Exeter Citizen Consultation Charter
 - Record of public consultations
 - Equalities and Diversity Policy
 - Access to Information Policy
 - FOI Publication Scheme
 - Website transparency pages
 - Information Governance Framework
 - Information Security Policy
 - Petitions Process
 - Partnership Protocol

- Finance**
- Medium Term Financial Strategy
 - Budget Monitoring Process
 - Treasury Management Strategy
 - Statement of Accounts
 - Annual Governance Statement
 - Prudential Code for Capital Finance
 - Statement on the role of CFO
 - Statement on the role of HIA
 - Counter Fraud Strategy
 - Anti-Money Laundering Policy
 - Whistleblowing Policy
 - Fraud reporting on website
 - Public Sector Internal Audit Standards
 - Capital Programme
 - Council tax leaflet/information

- HR Policies**
- Pay Policy
 - Officers' Code of Conduct
 - Staff Induction
 - Staff Training & Development Programme
 - Staff Surveys
 - Growth & Development Reviews
 - Job Evaluation Process
 - Job Descriptions
 - Corporate Health & Safety Policy
 - Employee Assistance Programme
 - Disciplinary procedure

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- ✓ The work of the Strategic Management Board who have responsibility for the development and maintenance of the governance environment
- ✓ The work of Executive who are responsible for considering overall financial and performance management and receive comprehensive reports throughout the year;
- ✓ The work of Customer Focus and Strategic Scrutiny Committees who monitor the overall financial performance of the Council;
- ✓ The work of the Audit & Governance Committee who monitor the standards of conduct of Members, effectiveness of risk management, the work of Internal Audit and the system of internal control;
- ✓ The Section 151 Officer who is responsible for delivering and overseeing the financial management of the Council
- ✓ The Monitoring Officer who provides assurance that the Council has complied with its statutory and regulatory obligations;
- ✓ Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks which are reported on a quarterly basis to the Audit & Governance Committee;
- ✓ Annual reviews of the Council's financial accounts and records by the External Auditors leading to their opinion as published in the year-end statements;
- ✓ Ongoing reviews of strategic and operational risks in each service area and the conduct of risk analysis and management in respect of major projects undertaken by the Council;
- ✓ Reviews and, where appropriate, updates of the Council's Constitution including Financial Regulations and Standing Orders
- ✓ Comments made by other review agencies and inspectorates

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Risk Management

Responsibility for the risk management process sits with the Audit and Governance Committee. Review of the risks included in the Corporate Risk Register (CRR) is undertaken by the Executive as owners of the CRR, this is done on a quarterly basis. The Council's Strategic Management Board (SMB) are responsible for constantly reviewing the risks being posed to the Council and ensuring that significant risks are recorded on the CRR along with the mitigating actions. Service Leads monitor risks at operational level and feedback any issues to their Director. Any significant risks, at operational level, that could impact the Council corporately are escalated to the CRR. The administrative support for the CRR process is provided by the Audit Manager.

Financial Management Arrangements

The Council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Section 151 Officer is a member of the Council's Strategic Management Board.

Internal Audit

The Internal Audit Service has been managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013. It is a requirement of the standards that an independent external review of Internal Audit's compliance with PSIAS is undertaken every five years. This external review was completed in January 2020 when the external assessor concluded that:

"It is our overall opinion that the Exeter City Council Internal Audit Team generally conforms to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards." Generally Conforms is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

Based on the assurance work undertaken by Internal Audit, the Audit Manager has provided an opinion on the adequacy of the control environment as part of the Annual Internal Audit Report which concluded that the key systems are operating soundly and that there are no fundamental breakdowns of controls resulting in material discrepancy.

External Audit

The Council's external auditor (Grant Thornton) has not yet issued a certificate of completion in respect of 2020/21, although all necessary audit work has been completed. With regards to 2021/22, the audit of the Council's financial statements remains ongoing, but substantial progress has been made. Unfortunately the audit commenced later than planned, in the middle of October 2022, due to Grant Thornton's commitment to a prior audit and a delay transitioning to the Council's audit.

Corporate Complaints

During 2022-23, 14 corporate complaints were received compared to 13 in 2021-22. Of the 13 complaints received, 11 were dealt with at Stage 1, 2 were dealt with at stage 2 and 2 are still to be resolved.

Performance Management

Performance management of individual services, for example building control, planning and waste management has been developed in our Power BI dashboards. The scope of these dashboards continues to expand and the reports enable accessible, visible data and analytics to support managers in monitoring performance. A review of the priorities and objectives in the corporate plan will be undertaken shortly following the appointment of the new Chief Executive. When completed a performance framework will be introduced to enable reporting and monitoring of performance across key areas of the council.

Key Issues 2022-23

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, three key issues have been identified for 2022-23 shown in the table below. Progress will be subject to regular monitoring by the Audit and Governance Committee.

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Issue No.	Issue Identified	Summary of Action to be Taken
1	<p>Financial position – Significant inflation fuelled by high energy prices, a higher than anticipated national pay settlement and income streams still struggling to reach the budget meant that the Council had to take action to address significant issues during 2022/23. The unprecedented cost pressures also meant that significant reductions and additional income were required to deliver a balanced budget for 2023/24.</p> <p>The Council's medium term financial plan anticipates reserves being reduced to the minimum required by 2024/25 and further budget reductions of £5.1m are required by 2028.</p>	<p>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.</p> <p>It is imperative that strong financial discipline is maintained across the Council to ensure that the reductions are delivered. It should also be noted that areas of concern around income targets; business rates, parking, trade waste, Civic Centre rental will be subject to close monitoring during the year rental will be subject to close monitoring during the year.</p>
2	<p>Debt Collection – The Council has actively been seeking to identify new income streams as part of the 'One Exeter' project. Whilst this is good news, our work has identified that there are significant weaknesses within service areas around raising invoices and the subsequent collection of debt for all income streams. For example, services are being provided but invoices are not always raised, or not raised promptly, to collect fees for services provided. It should be noted that this weakness relates only to service areas and does not apply to the Council's Income Collection Team.</p>	<p>An external review of debt collection has been already been commissioned the results of which are due to be presented to the Council shortly. As debt management is also one of the themes for the cross cutting review this report will feed into that review.</p>

Key Issues 2022-23

Issue No.	Issue Identified	Summary of Action to be Taken
3	<p>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:</p> <ul style="list-style-type: none"> • external factors e.g. regulatory change and compliance, climate change • internal factors e.g. The One Exeter project to deliver the digitalisation/transformation of service delivery 	<p>The Audit Managers have been involved in a number of the One Exeter work streams, including the cross cutting theme reviews. 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.</p> <p>Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes.</p>

Approval of the Annual Governance Statement

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

Signed:

Date:

Councillor Wardle

Chair of Audit & Governance Committee

Signed:

Date:

Dave Hodgson CPFA

Director Finance & Section 151 Officer

Signed:

Date:

Councillor Bialyk

Leader of the Council

Signed:

Date:

Bindu Arjoon

Chief Executive

REPORT TO EXECUTIVE

Date of Meeting: 27 June 2023

REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 26 July 2023

REPORT TO COUNCIL

Date of Meeting: 18 July 2023

Report of: Director Finance

Title: Review of the Corporate Risk Register

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 The report advises the committee of the council's progress in delivering a new, updated Corporate Risk Register, linked to the Council's Strategic Priorities.

2. Recommendations:

2.1 That the Executive and Council note the progress made in producing the new Corporate Risk Register.

3. Reasons for the recommendation:

3.1 To ensure that the risks associated with meeting the Council's strategic priorities are properly considered, managed and monitored.

3.2 Risk Management is an important element of the council's Code of Corporate Governance.

3.3 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.

4. What are the resource implications including non financial resources

4.1 The Executive, Directors, and Senior Managers, as appropriate, are asked to review the Corporate Risk Register on a quarterly basis. The Strategic Management Board reviews the register quarterly.

4.2 Any actions agreed to mitigate the risks identified in the Corporate Risk Register may result in some resource implication. These would be subject to a specific report and the resource implications would be considered in that report.

5. Section 151 Officer comments:

SMB and the Executive have produced a draft of the new register based on the Councils Corporate Priorities. A new summary page has been added setting out the level of intervention required and the impact of failing to address the risk.

6. What are the legal aspects?

Risk Management is an essential management tool in order to manage, assess and prioritise risks. Members will note the content of this report and the attached updated Corporate Risk register, which identifies risk to the Council.

7. Monitoring Officer’s comments:

Whilst there is no specific regulatory requirement to keep a risk register, it is an accepted tool which helps to identify potential risks in a project or an organisation. Put simply, it is an aid to identifying a range of issues that might or could derail intended outcomes.

8. Report details:

8.1 In light of a review of the council’s approach to risk management, the Corporate Risk Register is being revised following a workshop facilitated by the Council’s insurers, Zurich. The workshop involved both members of SMB and members of the Executive to enable a complete analysis of the risks to be made and agreement on what the register would cover to be agreed. The key changes to the Register are to focus on the Council’s Corporate priorities as set out in the Corporate Plan, along with a risk for each of the four pillars of the Council that underpin delivery Finance, Property and infrastructure, People and Digital. Each of the risks will have a risk owner at both Executive and Officer Level.

8.2 The Risk Register will include a new summary page, which will enable Members to see the scope of the corporate risks in one straightforward table.

8.3 Alongside each risk on the summary page, there is a table, which sets out an assessment of the resources required to manage the risks under the themes of Time, Financial, People and Assets. This will allow for an assessment of the resources required to mitigate each risk to an acceptable level allowing members to determine if the resources required are deliverable and achievable.

8.4 In addition, the summary page will include an assessment of how the risks will affect a range of drivers. The drivers are set out below and look at the impact of failing to deliver the corporate priorities and failure in each of the four pillars.

Political	Financial	Reputational	Regulatory	Legal	Compliance	Community
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8.5 The two tables above use Very high, High, Medium, Low and Very Low to assess the resources required and the risk drivers.

8.6 The Final Column will assess the Council's risk appetite, whether it is open to risk, more cautious or even risk averse.

8.7 The Corporate Risk Register will be presented to the Executive on a quarterly basis, ensuring that decision can be taken where action is needed. Audit & Governance will continue to have a role in ensuring that there is a proper process in place to adequately manage the risks.

8.8 Whilst the new register has been drafted, there is a need for each Officer risk owner to consult with the relevant Portfolio Holder to refine the risks and ensure that the register is complete. This work will take place over the summer and the new risk register will be presented to the Executive in September.

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 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 is for information only; and

11.4.2 Actions to mitigate the risks identified in the Corporate Risk Register may result in some future impact, however, any actions proposed would be subject to a specific report and the impacts would be considered in that report.

12. Carbon Footprint (Environmental) Implications:

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

12.1.2 Actions to mitigate the risks identified in the Corporate Risk Register may result in some future impact, however, any actions proposed would be subject to a specific report and the impacts would be considered in that report.

13. Are there any other options?

N/A

Director Finance, Dave Hodgson

Author: Director Finance, Dave Hodgson

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

Background papers used in compiling this report:-

None

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