

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 27 September 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 entrance, located at the back of the Customer Service Centre, Paris Street.

Membership -

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

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 26 July 2023.

(Pages 3 -
10)

3 **Declaration of Interests**

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

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

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

"**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."

- | | | |
|----------|--|---------------------|
| 5 | Draft Audit Findings Report 2021/22
To consider the report of the External Auditors (Grant Thornton) | (Pages 11
- 42) |
| 6 | External Audit - Audit Plan 2022/23
To consider the report of the External Auditors (Grant Thornton) | (Pages 43
- 66) |
| 7 | Internal Audit Progress Report 1st Quarter
To consider the report of the Audit Managers. | (Pages 67
- 86) |
| 8 | Review of Corporate Risk Register
To consider the report of the Director of Finance. | (Pages 87
- 98) |
| 9 | City Council Net Zero Risk Register
To consider the report of the Director Net Zero & City Management. | (Pages 99
- 108) |

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 29 November 2023 at 5.30 pm in the Civic Centre,

Find out more about Exeter City Council by looking at our website <http://www.exeter.gov.uk> . This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on 01392 265115 for further information.

Follow us on:

[Twitter](#)

[Facebook](#)

Individual reports on this agenda can be produced in large print on request to Democratic Services (Committees) on 01392 265115

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 26 July 2023

Present:-

Councillor Wardle (Chair)

Councillors Jobson, Ellis-Jones, Fullam, Miller, Mitchell, M, Moore, D, Patrick and Williams, M

Apologies

Councillors Allcock and Atkinson

Also Present

Director Finance, Audit Manager (HK) and Democratic Services Officer (SLS)

Julie Masci Engagement Lead Grant Thornton

45

MINUTES

The minutes of the meeting held on 8 March 2023 were taken as read, approved and signed by the Chair as correct.

46

DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

47

EXTERNAL AUDIT PROGRESS REPORT

The Engagement Lead, External Auditors Grant Thornton provided an update and highlighted two main areas of their programme of work, namely the audit of the Council's Financial Statement of Accounts and the Value for Money conclusion. Work in relation to the 2021/22 Statement of Accounts and in support of the authority's audit work in preparation of the Council's budget was ongoing. One significant change related to the valuation of the Pension Fund held in the Council's balance sheet, the detail of which was set out in the report. The 2020/21 Value for Money conclusion had identified a number of recommendations which have been followed up with colleagues from the Council's Finance Team, including addressing correspondence from members of public around specific issues of the Council's arrangements, which would be taken into consideration as part of the Value for Money assessment work.

The Engagement Lead responded to the following questions:-

- a number of 'plain english' documents were publicly available from the National Audit office, which set out guidelines on the general value for money approach for local government. A link would be provided to the Democratic Services Officer to circulate to Members and she was happy to provide any further information at a future meeting.
- the regular progress report to this Committee would always highlight any areas of concern for Members' attention. It was anticipated that an update on Value for Money report was due to be reported to the next meeting of the Committee.
- the National Auditors Office, Auditor Guidance sets out the framework and

scope of Value for Money work, and Grant Thornton summarised any key messages that arise from those CIPFA documents in their published reports. The Director Finance added that he would purchase a copy of the Guidance for the Committee, and regular updates would be included.

The Audit and Governance Committee noted the External Audit Progress Report.

48

PUBLICATION OF THE 2022/23 STATEMENT OF ACCOUNTS

The Director Finance presented an update on the publication of the 2022/23 Statement of Accounts and the audit status of the Statement of Accounts for 2020/21 and 2021/22. The report set out the progress made against the background of the current audit environment. The Financial Reporting Council (FRC) had placed significant pressure on the use of estimated figures by the External Auditors and in relation to the Pension Fund was not acceptable. Further work with Grant Thornton to complete the 2021/22 audit would ensure there was the best estimate of the Pension Valuation position. An actuarial report had been commissioned, which concluded that the Pension Fund liability as at 31 March 2022 had reduced by £24 million. All of these changes have had a cumulative effect of the opening balances of the 2022/23 accounts, but the commissioned report for 2022/23 will update the information in the Statement of Accounts which was now anticipated to be published mid-August.

- The Director Finance responded to the following Members' questions -
- the increase in contributions related to current members of staff, but the back funding payment towards the deficit had reduced, so in overall terms the contribution would reduce for the next three years. This was included in the medium term financial plan as approved by Members in February.
- many of the leisure staff brought back in house, had not been with the Council long enough to have had a local government pension to carry forward, and the impact on the deficit was small.
- the opportunity to negotiate the Pension Fund contribution had changed, but actuaries still used the current information to determine the conclusion. There had been a positive valuation resulting in the Pension Fund deficit - from an accounting point of view the valuation had changed by £24 million.
- the Council will be the same position for the Statement of Accounts for 2023/24 which would need to be based on the February estimate, as the accounts cannot be completed in two weeks unless the local government audit regime returns to a better position to enable closing and publishing of the accounts each year by 31 May.
- the inspection of the Statement of Accounts would commence the day after their publication.
- this was the first year that Exeter City Council had not met the accounting deadline.
- there have been challenges in finding suitably qualified surveyors to carry out property valuations for all of the Council's properties, which required an evaluation over a five year period and commercial property which was valued every year.
- a Parliamentary Select Committee had been held on the timeliness of local audit reporting and the Local Government Association had been invited to give evidence in relation to the publication of accounts.

The Engagement Lead responded to the following Members' questions -

- Grant Thornton had given written evidence at the Parliamentary Select

Committee and the report had now been published. There was an understanding that the delay in more recent Audits nationally, needed to be addressed. Measures have been proposed for a small number of cases. The Department for Levelling Up, Housing and Communities (DLUHC) will continue to discuss with audit professionals and the FRC to ensure this work was back on track. Whilst Grant Thornton had not concluded all aspects of their audit at Exeter, the Council would not be subject to those extreme measures having no significant concerns or challenges. She was confident the necessary assurances would be given in the revised timeframe.

- only one of the authorities that Grant Thornton provide an audit service for had published their accounts by 31 May, Grant Thornton updated that information every month.

Both a Member and the Director Finance had a copy of the letter from the Under Secretary of State for (DLUHC) following on from the Parliamentary Select Committee which would be circulated to Members.

The Audit and Governance Committee noted 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.

49

INTERNAL AUDIT CHARTER

The Audit Manager (HK) presented the Internal Audit Charter which defined the scope of internal audit, its purpose and responsibility. The Charter was required to be reviewed and updated every two years or following a change in the service. There had been few changes to the service objectives since the Audit Charter was last approved by Members in September 2021. A Member welcomed the helpful change history information as part of the documentation.

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

- the comment made in relation to the objectives set out in the Charter document that there be a specific reference to the Audit and Governance Committee rather than just the Council was noted.
- reporting to the Audit and Governance Committee was made either where a service had not agreed a remedial action or it had not been actioned or implemented. In such cases, Members had the right ask the Manager of that service to attend any of the Committee meetings to explain their action.
- in responding to an enquiry about there being no mechanism for representations to be made by the service, any instances of non-compliance by management on remedial action were rare. A review of the format of the progress reports for any Audit undertaken, would now include an Executive summary to show the detail of any findings and any actions. The Director Finance stated that the Executive summary would provide a snapshot with a rating for each audit. He suggested that following publication of the agenda, Members could request further information on an audit in advance of the meeting. In addition, the Audit Managers would continue to highlight any issues with the reports.
- the Audit team had access to the centralised computer system used by staff working from home, and access to individual staff members' homes was not required. The printing and retention of printed material whilst working from home was not encouraged. The Director Finance advised that standard wording was taken from a centrally produced Internal Audit guidance which was quite dated and this would be reviewed.

- the suggestion of a notification being sent to Audit and Governance Members when an audit has been completed was noted.
- a reference to the wording 'any embarrassment caused to the Council' in paragraph 12.1 would be reviewed.
- in terms of the risk methodology, the team undertook an annual risk assessment as part of the Audit Plan, in accordance with the Council's risk management process, to determine where their resources were placed for the coming year and consider factors such as finance, the complexity of the IT system used, and their own experience and knowledge of the system. The Audit team had all undertaken carbon literacy training and were committed within their work to help the Council meet the net zero target. Part of the preparations for a service audit included completion of a pre audit questionnaire and this included a section on the service policy approach to carbon emissions. The Audit team would continue to work with the Net Zero team to consider how this would be reported back to Members.

The Audit Manager would speak to her colleague and discuss incorporating Members' suggestions in the Charter.

RESOLVED that the Audit and Governance Committee approved the updated Internal Audit Charter.

50

ANNUAL INTERNAL AUDIT REPORT

The Audit Manager (HK) presented the Annual Internal Audit report for the year ending 31 March 2023, which conformed to the Public Sector Internal Audit Standards and was timed to inform the Council's Annual Governance Statement. The report included an audit update, a survey of work and audit standards and the results of the Quality Assurance programme.

The Audit Manager drew Members' attention to key points in Section 3 of the report to be included in the Annual Governance Statement (AGS) which included:-

- Debt Collection with a number of areas requiring attention within service areas relating to raising invoices and subsequent collection of debt for all income streams.
- the Council's Financial Position
- Change Management and the speed of the One Exeter Programme and factors which present a risk in achieving the objectives.

The Audit Manager stated that Section 4, contained an update on the delivery of the Annual Audit Plan 2022/23, which included an outcome of all audits undertaken throughout the year which have also been reported to previous meetings.

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

- improvements to the weaknesses identified in relation to raising invoices and subsequent collection of debt was now part of a management review of debt collection. Any areas of improvements identified in the audit work would be followed up.
- the scope of the audit of Risk Management completed in 2022 related to operational risk management not corporate risk Management.
- a Member asked for a copy of the recent Hospitality Audit report and the Audit Manager agreed to circulate to members of the Committee.
- key assurances were identified by the Audit Managers as set out in Section 2 of the report, which included their input to the overall opinion. The

Director Finance responded to a request for consideration of a specific area of concern and advised that Members may request areas for consideration to the Audit Managers for inclusion in the Action Plan.

The Director Finance also responded to Members' questions and stated that:-

- the audit work covered a range of sundry debt collection in Council Tax and Housing Rents. The teams provided services to either business or the general public across a whole range from the Home Call Alarm scheme through to managing commercial property which included managing leasehold service charges and ground rent.
- a key parameter of the audit was about reporting on the management of the process and not the level of debt of individuals. It was anticipated that the debt system was due to be replaced in two years' time.
- in respect of the Medium Term Financial Plan, the Council's budget for this financial year had taken account of an outstanding sum of £9.7 million, and the correct figure had subsequently been reduced to £5.1million.
- as part of the audit of IT/Strata Asset Management, the Strategic Management Board at Exeter City Council had discussed the current levels and replacement of IT equipment with an inventory to ensure the agreement was updated in line with current practice. It was appropriate for this to be discussed by the tripartite authorities of Exeter City and East Devon and Teignbridge District Councils at the Strata Joint Executive Committee meeting.

A Member proposed and Members agreed for this matter to be referred to both Strata Joint Executive and Strata Joint Scrutiny for the organisational agreement to be updated in line with current practice, noting that IT equipment was an asset.. It was noted that Strata's legal team had drafted up an updated contract which had been agreed by the Council.

The Audit and Governance Committee noted the Annual Audit Report for the year ended 31 March 2023 and the request that Strata Joint Executive and Strata Joint Scrutiny Committees ensure that the organisational agreement is updated in line with current practice noting that the City Council is holding an asset in terms of IT equipment.

51

ANNUAL AUDIT GOVERNANCE STATEMENT 2022/23

The Director Finance presented the report accompanying the Annual Governance Statement setting out key issues, the responses and a summary of action. The Annual Governance Statement would accompany the Council's Statement of Accounts for 2022/23. The Governance Statement was a statutory requirement and reported on the Council's performance against the Council's Code of Corporate Governance which was last approved on 8 March 2023.

In response to a Member's questions, the Director Finance advised the following:-

- the Governance Statement included what happened last year, as well as a summary of actions for 2023/24.
- the Risk Register would continue to be presented to the Audit and Governance Committee.

A Member raised a number of issues on the circulated Statement under the *Review of Effectiveness* section and in relation to a reference on appropriate updates of the Council's Constitution referred to the Governance Review Group

and sought an explanation of why the Group had been disbanded, and what was proposed to be put in its place. There was now, no apparent mechanism for Members to feedback on any proposed changes to the Constitution or the operation of Standing Orders. The Group had included Members from all political parties, who had made a number of representations and constructive comments, and she now wished to make a formal request to the Executive or appropriate body for the reinstatement of the Governance Review Group. A Member also made a request for the minutes of a number of those meetings held to be circulated to Members.

In response to a comment on the lack of mechanism to put an item on the agenda of this Committee, they were advised that any concerns or a request for review of a service area of the Council could be made to the Internal Audit Manager. It was noted that a review of the operational requirements and arrangements in relation to officer responsibility was also included in the Scheme of Delegation report and considered annually by the Executive.

The Member also commented on the reference to the work of Customer Focus and Strategic Scrutiny Committees who monitor the overall financial performance of the Council; she referred to the financial performance of the Housing Revenue Account (HRA) which was reported to the Council Housing and Advisory Development Group (CHAD) but not to the Customer Focus Scrutiny Committee. The CHAD Group was not a Council Committee, but operated in an advisory capacity to the Executive and the Scrutiny Committee could include regular budget monitoring.

The Director Finance referred to the review process of the Council's Constitution which was not Member driven and also included regular updates in respect of officer responsibilities. The reference in the Statement was not intended to be in the form of a review that the Member had suggested.

A Member offered a copy of a letter from the Minister of Department for Levelling Up, Housing and Communities (DHLUC) sent on 28th June relating to the issue of governance review and suggested that it be shared with Members.

RESOLVED that the Audit and Governance Committee approve the Annual Governance Statement of Accounts for 2022/23 and be signed (at the earliest possible convenience) by the Director Finance and the Chair of the Audit and Governance Committee and included within the Council's Annual Statement of Accounts for 2022/23.

RECOMMENDED to Council to note and approve the Annual Governance Statement included within the Council's Annual Statement of Accounts for 2022/23.

52

REVIEW OF THE CORPORATE RISK REGISTER

The Director Finance referred to the report presented to the Executive which advised of the Council's progress in developing a new Corporate Risk Register.

Senior Management Board colleagues had worked with Zürich Insurance Group to review the Risk Register linked to the Council's Corporate Plan and Strategic Priorities using the four pillars of the Council that underpin the delivery of People, Property and Infrastructure, Finance and Digital. Each area of work would have a risk owner at Executive with support from the relevant Director. He set out the revised format which included a summary sheet to show the scope and risk in summary with an assessment of the level and the resources required from a very high to very low ratio; and an assessment of the impact of failure to deliver and of

the effect on a range of drivers such as political, financial, reputational, regulatory, legal, compliance and community. The Register will also assess the Council's risk appetite whether it is open to risk, more cautious or risk adverse. Further work will be undertaken on the Risk Register, and the updated document will be presented to the Executive in September and continue to be presented to the Executive and the Audit and Governance Committee on a quarterly basis.

Following on from the previous invitation for a Director to attend the Audit and Governance Committee to provide further detail on the risks identified in their area of work, the Director City Development will be invited to the September meeting to provide an update.

The Director Finance welcomed the feedback on the specific targets being identified, of the Executive and officer areas of responsibility and responded to the following Members' comments:-

- Zurich had suggested a number of topics from around the country, with the impact of the risk mitigation based on that.
- every service has an individual Service Risk Register, but only when a risk become significant, would it be included on the Corporate Risk Register.
- when an asset would be impacted upon for example in the case of flooding, working in partnership with for example the Environment Agency would be acknowledged, but the Risk Register did not include working in partnership.

The Audit & Governance Committee noted the progress made in producing the new Corporate Risk Register.

(The meeting commenced at 5.30 pm and closed at 7.40 pm)

Chair

This page is intentionally left blank

Interim Audit Findings for Exeter City Council

Year ended 31 March 2022

September 2023

Page 11



Contents



Your key Grant Thornton team members are:

Julie Masci

Key Audit Partner

E julie.masci@uk.gt.com

David Johnson

Audit Manager

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

Robson Zvenhamu

Assistant Manager

E robson.zvenhamu@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	5
3. Value for money arrangements	22
4. Independence and ethics	24
Appendices	
A. Action plan	26
B. Follow up of prior year recommendations	27
C. Audit adjustments	28
D. Fees	29
E. Audit Letter in respect of delayed VFM work	31

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management

Name : Julie Masci

For Grant Thornton UK LLP

Date : 19 September 2023

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 Council 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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Exeter City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

This report sets out an update on the findings from our work on the Council's 2021-22 financial statements. A final report will be issued at the conclusion of our work. Our findings are summarised on pages 2 to 21. To date, we have identified one adjustment to the financial statements that has resulted in a £2.45m adjustment to the Group's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is well progressed and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- Completion of journal testing
- Completion of substantive transaction testing for debtors, creditors, fees and charges, grant income, cut off testing and HRA dwelling agreements
- Review of the updated IAS19 pensions adjustments following the outcomes of the triennial pensions valuation
- Review of the going concern assessment
- Review of the Minimum revenue provision calculation
- Completion of group review
- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

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.

The NAO have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 2022-23 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.

Grant Thornton have reviewed the ongoing Vfm requirements and where a 2021-22 audit has yet to be closed we will undertake and combine a review of 2021-22 and 2022-23 arrangements in order to give members the most relevant and timely reporting.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in December 2023. It should be noted, as above, that a joint review of the 2021-22 and 2022-23 arrangements will be undertaken and we will report upon completion of this work.

Significant Matters

We did not identify any significant matters arising during our audit. We recognise that management are operating in a challenging financial environment and as such are required to provide and report an appropriate budget which fully reflects the financial challenges facing the Council prior to the start of the financial year on 1 April. This requires resources being made available and these resources are also those on which we rely for assisting with the audit process through provision of working papers and responding to queries raised. As a result of this resource conflict we agreed with management to withdraw from the audit process in January and February 2023 and resume our work in March 2023. This has subsequently led to further delays and we continue to discuss with management a realistic timeframe for completion of the outstanding tasks.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Page 15

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of Exeter City Living was required, which was completed by PKF Francis.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved.. These outstanding items are listed on page 3

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted on page 18 of our audit plan presented to the Audit and Standards Committee in July 2022, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the entity, access to key data from Council staff. This resulted in us having to carry out additional audit procedures to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

We detail in the table our determination of materiality for Exeter City Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,100,000	2,000,000	
Performance materiality	1,575,000	1,500,000	Our performance materiality has been set at 75% of our overall materiality
Trivial matters	100,000	100,000	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals, including undertaking a walkthrough of the process and controls. No issues were identified from completion of this
- obtained a full download of the general ledger alongside the trial balance and uploaded these onto our data analysis software, Inflo.
- Inflo undertakes a number of checks on the data such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with the Council and obtained sufficient explanations and corroborations for these.
- we have reviewed the manual journals within inflo to identify those deemed to be high risk to be selected for testing. We selected and shared the sample of journals with the Council for them to provide us with evidence to support the entries.

Our work in this area is ongoing and we have identified one issue in relation to one member of the finance team having super user access. Testing of journals included those posted by the super user and no issues have been identified. Our work in this area is ongoing and we will report any further findings to management and members



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

The Revenue cycle includes fraudulent transactions

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:

- There is little incentive to manipulate revenue recognition
- Opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable

We have not identified any issue in our work in relation to revenue and therefore consider that the rebuttal is still appropriate.

Risk of fraud related to expenditure recognition PAF Practice Note 10

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)

For expenditure recognition we will

- Evaluate the groups accounting policy for recognition of expenditure for appropriateness;
- Gain an understanding of the Council's system for accounting for expenditure and evaluate the design of the associated controls;
- Agree, on a sample basis, amounts recognised as expenditure in the financial statements to supporting documents
- Identify and test a sample of transactions received post year end to ensure these have been classified to the correct year

We have not identified any issues in our work in relation to expenditure.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of {land and buildings}

The group revalue its land and buildings, including HRA properties, on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management use the services of an internal valuer to estimate the current value as at 31 March 2022.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work.
- evaluated the competence, capabilities and objectivity of the valuation expert.
- written to the valuer to confirm the basis on which the valuations were carried out.
- reviewed the fixed asset register and valuation reports to identify a sample of land and buildings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation
- for each item within our sample we have requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. We continue to discuss this requirement with the Council.
- We have identified and shared our sample of other land and building assets and have been provided with evidence as to how these values have been calculated.

We have not identified any issues in relation to the valuation of land and buildings.

Valuation of {Investment Property}

The Council revalue Investment Properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£56m) and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work.
- evaluated the competence, capabilities and objectivity of the valuation expert.
- written to the valuer to confirm the basis on which the valuations were carried out.
- reviewed the fixed asset register and valuation reports to identify a sample of investment properties which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation
- for each item within our sample we have requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations.

We have not identified any issues in relation to the valuation of investment property.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings (Council Dwellings)

The group revalue its land and buildings, including HRA properties, on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management use the services of an internal valuer to estimate the current value as at 31 March 2022.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Council dwellings represent a significant proportion (£264m) of the Council's asset base and in accordance with the CIPFA code, these assets are valued in line with the Stock valuation resource accounting 2016:guidance for valuers which has been provided by Central Government. We have reviewed the Council's approach to valuing these assets and we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work.
- Reviewed the classification of beacon properties to ensure that these have been assigned in line with the stock valuation resource accounting guidance and that properties have been assigned to the appropriate beacon categories.
- evaluated the competence, capabilities and objectivity of the valuation expert.
- written to the valuer to confirm the basis on which the valuations were carried out.
- reviewed the fixed asset register and valuation reports to identify a sample of Council Dwellings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation
- for each item within our sample we have requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations.
- For sample testing we have compared beacon valuations with similar properties to ensure that valuations are in line with market conditions and where variances outside of our parameters are identified we will request further information and support from management and the valuer.

Our work in this area is ongoing and we continue to discuss the above with Council Officers and will report any findings back to members upon completion of this work.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of {pension fund net liability }

The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£135 million liability in the Council's balance sheet at 31/03/21) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. No issues were identified from completion of this. Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- Obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

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 resulted in changes in member numbers within pension funds and has led to a material adjustment in the pension liability disclosures for the Council as at 31 March 2022. This has required management to commission a new actuarial valuation and adjust the accounts accordingly. The Council has prepared revised financial statements reflecting the new actuarial assumptions relevant to 31 March 2022. This has resulted in an overall reduction to the Council's net pensions liability of £24.065m.

We are in the process of performing additional audit procedures to ensure the revised pension valuation has been adjusted appropriately within the financial statements, and have performed additional member data testing on the inputs used to inform the actuary's triennial valuation of the fund as a whole. Furthermore, we are reviewing the revised actuarial assumptions used by the actuary in preparing its revised triennial valuation to be satisfied that these revised assumptions are within expected tolerances as set out by our consulting actuary (as auditor's expert). This additional work will require an increase to our audit fees as set out in Appendix D.

2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Exeter City Council	Grant Thornton	<p>See pages 7 to 11 for significant risks work undertaken and any issues identified in relation to significant risks.</p> <p>As part of our work we have reviewed the consolidation process including intercompany transaction elimination. This work identified that the Council have purchased a number of assets from Exeter City Living to the value of £2,450k (£900k in prior year) and have subsequently removed these assets from their balance sheet as part of the consolidation process.</p> <p>Review of the process identified that the £2,450k has not be removed from the Council's CIES, in line with consolidation processes, and that the assets have not been recognised in the Balance Sheet. This has been discussed with management and the accounts have been subsequently amended.</p>	There is no impact on the group audit opinion.
Exeter City Living	PKF Francis	<p>Full scope UK statutory audit performed by Exeter City Living auditors, PKF Francis. The nature, time and extent of our involvement in the work included a discussion on risks and meeting with appropriate members of management. A review of the relevant aspects of the subsidiary auditor's audit documentation is to be carried out and we will report any findings to the Committee.</p>	We have yet to complete our work in this area and our enquiries to date have not identified any issues.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £119.5m	<p>Other land and buildings is comprised of specialised assets such as leisure centres, which are required to be valued at depreciated cost (DRC) at year end, reflecting the modern equivalent asset necessary to deliver the same service provision. The remainder of land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council revalues its land and buildings on a rolling programme with a maximum period of five years between revaluations. This is a mixture of full revaluations and a desktop exercise using indices. The Council has engaged its internal valuer to complete the valuation of properties as at 31 March 2022 and 48% of land and building assets were subject to a full revaluation during 2021-22.</p> <p>Management has considered the year end value of non-valued properties, and the potential value change in the assets revalued at 31 March 2021 by applying indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties values.</p> <p>The total year end valuation of land and buildings was £119.5m, a net decrease of £6.9m from 2021-22 (£126.4m)</p>	<p>We have reviewed the detail of your assessment of the estimate considering:</p> <ul style="list-style-type: none"> The assessment of the Council's in-house valuers The completeness and accuracy of the underlying information used to determine the estimate The reasonableness of the overall decrease in the estimate The adequacy of the disclosure of the estimate in the financial statements The sensitivities used by the valuer to assess completeness and consistency with our understanding and Consistency of the estimate against Gerald Eve reported indices <p>Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. Management have been able to provide appropriate audit evidence to support these underlying assumptions.</p> <p>Where assets are revalued in the financial year, assurance is required that these are not materially different to the current value at year end. From discussion with management the Terms of Engagement with the valuer require that those assets not included in the full valuation process are assessed for any material valuation fluctuations and a desktop exercise is undertaken. The valuer's report states which assets have been fully revalued and which have been subject to a desktop review. As such all assets have been given a certified valuation at 31 March 2022. We have included all assets in our work and this has concluded that land and building assets are not materially misstated in the balance sheet.</p>	Light Purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £56m	<p>The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date</p> <p>The Council's commercial investment portfolio consists of a mixture of assets comprising both industrial and commercial usage.</p> <p>The Council has engaged JLL, as an external expert, to complete the 2021-22 valuation of these investment properties.</p> <p>The Council engaged its internal valuer to undertake the valuation of the remaining investment properties.</p> <p>The total year end valuation of investment properties was £56m, a net increase of £2.6m from 2020-21 (£53.4m)</p>	<p>We have reviewed the detail of your assessment of the estimate considering:</p> <ul style="list-style-type: none"> The assessment of the Council's internal valuers and management's expert JLL The completeness and accuracy of the underlying information used to determine the estimate The reasonableness of the overall increase in the estimate The adequacy of the disclosure of the estimate in the financial statements We have used an auditor's expert to review the work undertaken by both the external valuer. <p>Our work requires that we review and gain assurance over the assumptions and any indices used and our work has not identified any issues in regards to this work.</p>	Light Purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £99.3m	<p>The Council's net pension liability as 31 March 2022 is £99.3m (PY £134.7m) comprising the Local Government and unfunded defined benefit pension scheme obligations.</p> <p>The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes</p> <p>A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in the intervening periods, which utilises key assumptions such as a life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pensions fund liability small changes in assumptions can result in significant valuation movements.</p> <p>There has been a decrease of £35.4m in the net actuarial deficit during 2021-22</p>	<ul style="list-style-type: none"> We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place. We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made: <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.6%</td> <td>2.55% - 2.6%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.05% - 3.45%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.2%</td> <td>CPI + 1% = 4.2%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24/22.7</td> <td>21.9 - 24.4 / 20.5 - 23.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.4/24</td> <td>24.8 - 26.7 / 22.9 - 24.9</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports and did not identified any inconsistencies. The Council has considered that the impact of GMP equalisation is not material to the Statement of Accounts. Based on our review of this area we concur with this view 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.6%	2.55% - 2.6%	●	Pension increase rate	3.2%	3.05% - 3.45%	●	Salary growth	4.2%	CPI + 1% = 4.2%	●	Life expectancy – Males currently aged 45 / 65	24/22.7	21.9 - 24.4 / 20.5 - 23.1	●	Life expectancy – Females currently aged 45 / 65	25.4/24	24.8 - 26.7 / 22.9 - 24.9	●	Light Purple
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.6%	2.55% - 2.6%	●																								
Pension increase rate	3.2%	3.05% - 3.45%	●																								
Salary growth	4.2%	CPI + 1% = 4.2%	●																								
Life expectancy – Males currently aged 45 / 65	24/22.7	21.9 - 24.4 / 20.5 - 23.1	●																								
Life expectancy – Females currently aged 45 / 65	25.4/24	24.8 - 26.7 / 22.9 - 24.9	●																								

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £290.5m	The Council owns 4,777 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged JLL to complete the valuation of these properties. The year end valuation of Council Housing was £290.5m, a net increase of £26.5m from 2020/21 (£264m).	<p>Council dwellings represent a significant proportion (£290.5m) of the Council's asset base and in accordance with the CIPFA code, these assets are valued in line with the Stock valuation resource accounting 2016:guidance for valuers which has been provided by Central Government.</p> <p>We have assessed the Council's valuer to be competent, capable and objective.</p> <p>We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report.</p> <p>The valuation method remains consistent with the prior year and no issues have been identified</p> <p>We have selected a sample testing of beacon properties to test the reasonableness of the beacon applied and no issues have been identified.</p> <p>We have undertaken a review of the values against the Gerald Eve trends to ensure that there is not a material variance between the fair value and the market value.</p> <p>We have agreed the HRA valuation report to the Statement of Accounts.</p>	Light Purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £37.2m	<p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p> <p>There is a requirement to assess whether income received has conditions attached and should therefore be considered grant income or another classification of income. This will allow the Council to ensure the correction presentation of revenue in line with the Code</p>	<ul style="list-style-type: none"> We have reviewed management's processes for identifying whether they are agent or principal for grant income and ensured that the appropriate disclosures have been made in the statement of accounts We have agreed a sample of grant income to third party documentation including the grant paying body to ensure that revenue has been correctly disclosed We have reviewed supporting documentation to identify any conditions an ensure that the Council has complied with these We have reviewed year end accruals to understand how these have been calculated and that these are appropriately accounted for. We have reviewed the Council's assessment as to whether they are acting as principal or agent in the treatment and recognition of grant revenue, and specifically covid grant funding, and considered that this is appropriate <p>Our work in this area is ongoing and we have not identified any issues in relation to this area in our work to date. We will report any findings to management and those charged with governance.</p>	Light Purple (Subject to no issues being identified in outstanding work)

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	Declarations of interest were only made by two senior officers, as in 2020-21. The system used does not require senior officers to complete a declaration where this is a nil disclosure. There is a risk that related parties are not declared by all senior officers	See page 26 for the recommendations within the action plan.
●	An IT review undertaken in previous years identified that there were finance staff with superuser IDs. This would allow the user to amend key data and should be limited to staff supporting ICT operational functions and not those with finance responsibilities. Whilst testing in 2021-22 has not identified any inappropriate usage the access level has not been fully addressed and there remains a risk of manipulation of data and financial information	See page 26 for the recommendations within the action plan.

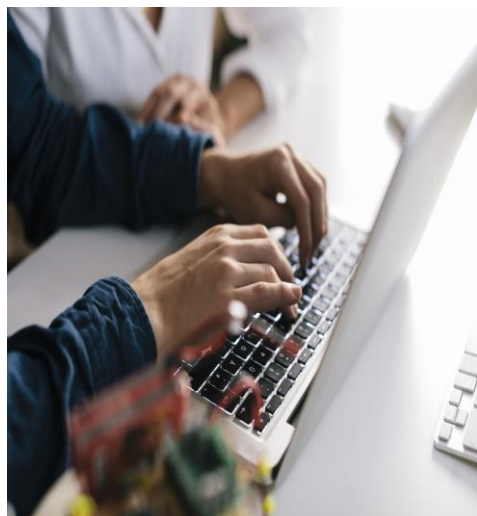
Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. Our testing identified the following control issue in relation to related parties: <ul style="list-style-type: none"> • Declarations of interest were not received from all officers Our work in this area is ongoing and we will report any findings to management and those charged with governance.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group.
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. We have yet to receive confirmation for four investment balances and continue to work with management to complete this process. Any issues identified from this work will be reported to members at Audit & Governance Committee. We requested from management permission to send confirmation requests to the Pension Fund auditor. This permission was granted and the requests were sent. This confirmation has been provided and no further issues have been identified.
Accounting practices	Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.



2. Financial Statements - other communication requirements



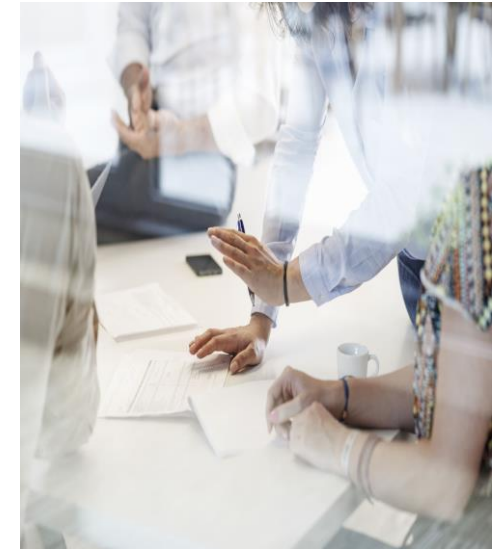
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>We have yet to complete this work and we will obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required at Exeter City Council as they do not exceed the threshold required for the completion of this work.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of Exeter City Council in the audit report due to our VFM work covering multiple years and currently being completed.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Page 32



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have yet to conclude our 2021-22 VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 2022-23 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.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

We have made enquiries of component auditors and have confirmed their independence from the Council and Group and that they are not providing any non audit services that would impact on the group independence

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Capital receipts grant	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £82,548 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelyhood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Subsidy return	27,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,500 in comparison to the total fee for the audit of £82,548 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelyhood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 3 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Page 36

Assessment	Issue and risk	Recommendations
Medium	Management has incorrectly excluded assets from the Council's balance sheet as a result of the consolidation process. Housing assets purchased by the Council from Exeter City Living should be included in the balance sheet and failure to do so could lead to the risk of a material misstatement within the financial statements.	<p>Management should ensure that the consolidation process for producing group accounts is appropriately followed and that all intercompany transactions are correctly disclosed in the statement of accounts</p> <p>Management response</p> <p>All intercompany transactions are eliminated during the consolidation process but agree that this does not apply to asset transactions. It is agreed that when assets are exchanged only the unrealised profit or loss on the transaction needs to be dealt with</p>
Medium	The Council has a member of the finance staff with superuser access to the system. There is a risk of misuse of this access and this not being picked up due to the access rights provided to a superuser.	<p>We recommend the Council review the user accounts identified with administration privileges and revoke those that do not require this.</p> <p>Management response</p> <p>Agreed. Super user access permissions will be reviewed</p>
Low	From the work performed within remuneration disclosures, we agreed the declarations obtained from the monitoring officer and have found that some officers did not complete the declaration forms as there is nothing to declare. There is a risk that declarations of interest will not be properly declared and that governance procedures will not be properly followed.	<p>A declaration of interest should be completed by all senior officers including nil returns to provide assurance that no potential conflict of interests have been omitted and that appropriate governance arrangements have been followed</p> <p>Management response</p> <p>TBC</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Exeter City Council's 2020/21 financial statements, which resulted in 6 recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Declarations of interest were only made by two senior officers in 2020/21. The system used to make declarations does not require senior officers to complete a declaration where this is a nil disclosure. There is a risk that related parties are not declared by all senior officers.	We have again identified that only two senior officers have made declarations. We have raised a recommendation in relation to this issue.
X	The Council has a large number of finance staff with superuser access to the system. There is a risk of misuse of these access and this not being picked up due to the large number.	Whilst the Council has reduced this number to one individual it is the opinion of audit that no members of finance should have superuser access levels. We have, therefore, raised a recommendation in 2021-22.
✓	On a small number of occasions, finance staff have used their superuser ID to post journals into the system. It is the Council's policy that the superuser ID should not be used for this purpose. There is a risk of inappropriate use of superuser ID.	Testing of journals in 2021-22 has not identify any instances of finance staff with superuser access posting inappropriate journals. We therefore consider this issue has been addressed.
TBC	The Council does not provide MRP for capital loan payments to third parties. This is not deemed to be in line with the regulations. There is a risk that going forward, MRP will be materially understated.	We have not completed this work and will provide and update to management and those charged with governance upon completion.
✓	Where the Council are using supporting data and assumptions within investment property valuations, such as land appraisals, they should ensure the latest and most up to date available information is being used as part of the valuation calculations.	Review of investment property assumptions have not identified any issues and therefore we consider this issue has been addressed.
✓	Where judgements are being made by the valuer regarding yields in the valuation calculations for more complex investment properties, the valuation report and supporting calculations should document the justification and explanation of the support taken by the valuer.	Review of investment property assumptions have not identified any issues and therefore we consider this issue has been addressed.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have not identified any misstatements in the Council's primary statements. Review of the consolidation process identified a material misstatement which is set out in detail below along with the impact on the key group statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
In 2020-21 and 2021-22 the Council has purchased assets from Exeter City Living to the value of £900k and £2,450k respectively. As part of the consolidation process the Council has not eliminated the revenue and expenditure from the group CIES and has failed to recognise the asset in the group Balance sheet.	Cr Exeter City Living Expenditure (2020-21) (900)	Dr PPE (2020-21) 900	0
		Dr PPE (2021-22) 2,450	
	Cr Exeter City Living Expenditure (2021-22) (2,450)	Cr Usable reserves (2020-21) (900)	
		Cr Usable reserves (2021-22) (2,450)	
Overall impact	£3,350	£0	£0

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
A small number of amendments were made to the Accounting Policies to more accurately reflect	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader. We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	✓

Impact of unadjusted misstatements

There are no unadjusted misstatements identified in 2021-22 and no unadjusted misstatements were identified in 2020-21.

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Current fee
Council Audit fee per audit plan	£82,548	£88,549
Total audit fees (excluding VAT)	£82,548	£88,549

Details of variations in final fees from the proposed fee per the audit plan

- fees per financial statements £42,358
- Additional IAS19 work required in relation to the triennial pensions valuation £6,000
- total fees per above £74,959

Page 39

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Pooling of Housing Capital receipts	£6,000	£6,000
Certification of Housing Benefit Claim	£27,500	£27,500
Total non-audit fees (excluding VAT)	£33,500	£33,500

Audit fees – detailed analysis

Scale fee published by PSAA	£49,073
Raising the bar/regulatory factors	£3,125
Enhanced audit procedures for Property, Plant and Equipment	£5,688
Enhanced audit procedures for Pensions	£688
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540	£2,100
Additional audit requirements relating to journals and grants testing	£3,000
Additional local risk factors – Group audit work	£4,875
Remote working	£5,000
Additional IAS19 procedures following the revised triennial pensions valuation (as explained on page 11)	£6,000
Total proposed audit fees 2021/22 (excluding VAT)	£88,549

E. Audit letter in respect of delayed VFM work

Cllr Tony Wardle
Chair of Audit and Governance Committee
Exeter City Council
Civic Centre
Paris Street
Exeter
EX1 1JN

19 September 2023

Dear Cllr Wardle,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

We wrote to you on previously to confirm that we expected to publish our Auditor's Annual Report, including our commentary on arrangements to secure value for money, no later than 30 September 2023. Following this letter, we have taken the decision to issue a combined Auditor's Annual Report for the 2021-22 and 2022-23 financial years, so that our work can be more relevant and timely and reflective of the most up to date arrangements at the Council. We now expect to publish our combined report by no later than 31 December 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours sincerely

Julie Masci
Key Audit Partner & Engagement Lead



Exeter City Council audit plan

Year ending 31 March 2023

September 2023
Page 43

Contents



Your key Grant Thornton team members are:

Julie Masci

Key Audit Partner

T 0292 034 7506

E julie.masci@uk.gt.com

David Johnson

Audit Manager

T 0117 305 7727

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

Robson Zvenhamu

Assistant Manager

T 0117 305 7825

E robson.zvenhamu@uk.gt.com

Section	Page	
Key matters	3	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 Council 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.
Introduction and headlines	5	
Significant risks identified	7	
Group audit scope and risk assessment	10	
Other matters	11	
Our approach to materiality	12	
IT Audit Strategy	14	
Value for Money Arrangements	15	
Risks of significant VFM weaknesses	16	
Audit logistics and team	17	
Audit fees	18	
Independence and non-audit services	21	
Communication of audit matters with those charged with governance	23	

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In March 2023, we issued [About time?](#), which explored the reasons for delayed publication of audited local authority accounts. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with the Director of Finance.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit & Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Exeter City Council (‘the Council’) for those charged with governance.

Respective responsibilities

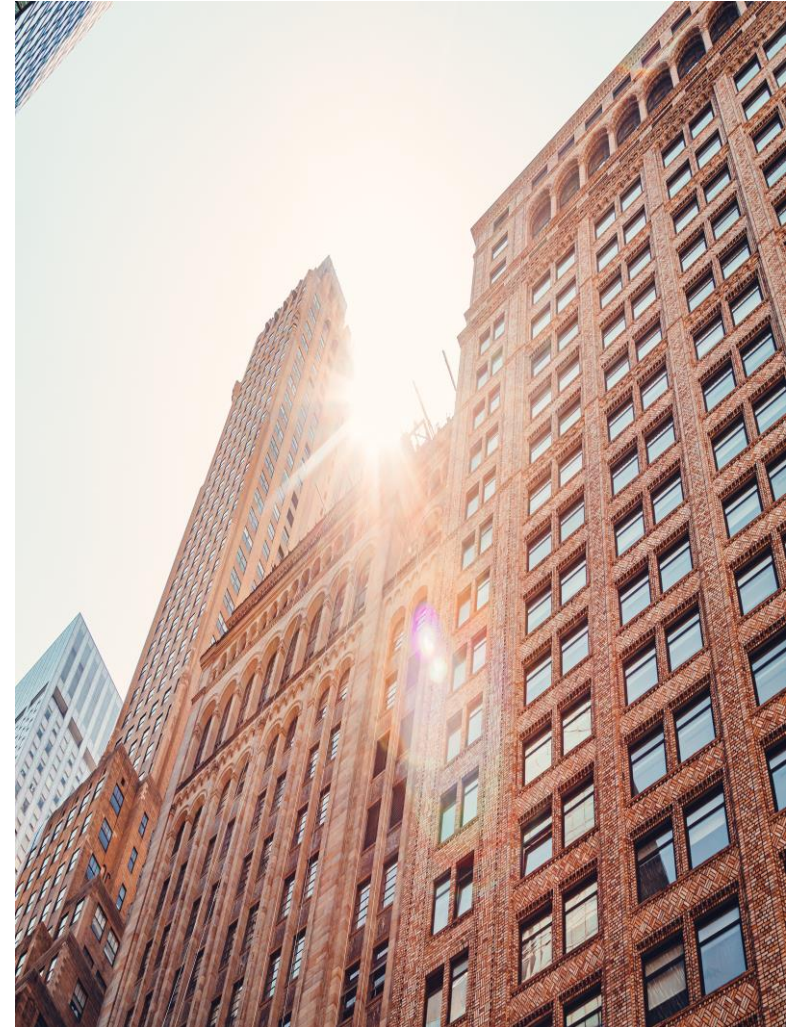
The National Audit Office (‘the NAO’) has issued a document entitled Code of Audit Practice (‘the Code’). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Exeter City Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group’s financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Governance Committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit & Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- management override of controls;
- valuation of land and buildings, including Council Dwellings;
- valuation of investment property; and
- valuation of the pension fund net liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of Exeter City Group Limited (including Exeter City Living Limited).

Materiality

We have determined planning materiality to be £2.1m (PY £2.1m) for the group and £2m (PY £2m) for the Council, which equates to 2% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.1m (PY £0.1m).

Value for Money arrangements

In line with updated NAO guidance we have taken a decision as a firm that where we have a delay in delivery of the financial statements audit we will deliver a combined report. Our risk assessment regarding your arrangements to secure value for money in 2021-22 and 2022-23 has identified the following risks of significant weakness:

- Financial sustainability and the achievement of savings programmes
- Group governance of subsidiaries
- Follow up of significant weakness in relation to group governance from 2020-21 VfM

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our planning and our final visit will take place between September and December 2023. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit at the planning stage is £87,048 (PY: £88,548) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (Rebutted for Council only)	Group and Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> - There is little incentive to manipulate revenue recognition - Opportunities to manipulate revenue recognition are very limited - The culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable 	We do not, therefore, consider this to be a significant risk for Exeter City Council. This consideration relates only to the Council as we will review the Component Auditor's work in relation to revenue recognition as a significant risk.
Risk of fraud related to expenditure recognition PAF Practice Note 10 (rebutted)	Group and Council	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)	<p>For expenditure recognition we will</p> <ul style="list-style-type: none"> • Evaluate the groups accounting policy for recognition of expenditure for appropriateness; • Gain an understanding of the Council's system for accounting for expenditure and evaluate the design of the associated controls; • Agree, on a sample basis, amounts recognised as expenditure in the financial statements to supporting documents • Identify and test a sample of transactions received post year end to ensure these have been classified to the correct year.

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the design effectiveness of management controls over journals Analyse the journals listing and determine the criteria for selecting high risk unusual journals Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings (including Council Dwellings) (Rolling revaluation)	Council	<p>The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>The Council's portfolio of Council Dwellings is revalued five-yearly, with an indexation exercise applied in intervening years in accordance with the "Beacon" methodology .</p> <p>Management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings (including Council Dwellings) as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluate the competence, capabilities and objectivity of the valuation expert; write to the valuer to confirm the basis on which the valuation was carried out; challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; reconcile the data provided to the valuer to year end council dwelling listings; confirm the valuation method for sub-archetype Council Dwellings is appropriate; test revaluations made during the year to see if they had been input correctly into the Council's asset register; and evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties (Annual revaluation)	Council	<p>The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£56m at 31/03/22) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of an external valuer to estimate the current value as at 31 March 2023.</p> <p>We therefore identified valuation of investment property, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work Evaluate the competence, capabilities and objectivity of the valuation expert Write to the valuer to confirm the basis on which the valuations were carried out Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding Test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register
Valuation of the pension fund net liability	Council	<p>The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£123 million liability in the Council's balance sheet at 31/03/22) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and Obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Exeter City Council	Yes		<ul style="list-style-type: none"> The risks identified for Exeter City Council are set out on pages 7 to 9 of this report 	Full scope audit performed by Grant Thornton UK LLP
Exeter City Group Limited (Including Exeter City Living Limited)	TBC		<ul style="list-style-type: none"> Risk of management override of control is a non rebuttable risk for all organisations Risk of fraud in revenue recognition There are two line items within the components financial statements which are material to the group: <ul style="list-style-type: none"> Cash Inventory 	<p>Specific scope procedures on material balances to be performed by component auditor.</p> <p>The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor's audit documentation and meeting with appropriate members of management.</p>

Page 52

Key changes within the group:

There have been no key changes within the Group.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. Materiality at the planning stage of our audit is £2.710m (Group) and £2.690m (Council), which equates to 2% of your gross expenditure for the period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
3	<p>Other communications relating to materiality we will report to the Audit & Governance Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £135k (PY £100k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Governance Committee to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

	Amount (£)	Qualitative factors considered
Materiality for the Council financial statements	2,690,000	This is equivalent to approximately 2% of the gross expenditure of the Council for the financial year, and is the same percentage and measure as the previous year.
Performance materiality	2,015,000	<p>We have determined performance materiality at 75% of the materiality. Our rationale is as follows:</p> <ul style="list-style-type: none"> • Senior management and key reporting personnel in the finance function have remained stable from the prior year audit. • There were a low number of misstatements and recommendations arising as a result of the financial statements audits in the prior years so we have a considered 75% remains appropriate
Trivial matters	130,000	Set at 5% of materiality.



IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

We plan to rely on the operation of application controls whether automated / IT dependent and will therefore carry out an extended ITGC assessment on the IT systems that support the operation of those controls. This is to gain assurance that the relevant controls have been operating effectively throughout the period.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Financials	Financial reporting	<ul style="list-style-type: none"> Streamlined ITGC design assessment
Academy	Revenues & Benefits System	<ul style="list-style-type: none"> Streamlined ITGC design assessment
iTrent	Payroll	<ul style="list-style-type: none"> Streamlined ITGC design assessment
Active Directory	Network	<ul style="list-style-type: none"> Streamlined ITGC design assessment

Value for Money arrangements

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Page 57

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

Page 58



Financial Sustainability

There is a risk that the Council has unidentified savings and/or funding gaps in financial planning that would substantially threaten the delivery of the plan

To address the risk we will undertake the following work:

- review of savings plans identified to date
- review the delivery of the 2022-23 budget as well as how the Council developed its financial plan
- Consider the impact of increasing cost of living and inflation including the impact on budgeting into the short and medium term
- Consider potential funding gaps in financial planning



Group Governance

The 2020-21 AAR identified a significant weakness in relation to the governance of Exeter City Living including the make up of the Board and the lack of reporting. Since this report we have received an objection outlining concerns over aspects of the governance and management of some Exeter group entities. There is a risk that the Council will be financially exposed where funding is provided and that segregation of duty conflicts will be identified.

We will review the governance arrangements in place including overall monitoring and management by members through the Council's democratic processes. We will review arrangements in place to ensure independence between the Council and the group entities is maintained and that conflicts of interest are appropriately maintained. This review will cover both 2021-22 and 2022-23 to reflect the significant weakness identified in 2020-21 and the requirement to review management's actions in relation to the recommendation. The objection is in relation to the financial statements and therefore we will ensure any issues identified through the VFM review are communicated to the audit team and management

Audit logistics and team



Page 59



Julie Masci, Key Audit Partner

Julie leads our relationship with you and is a key contact for the Chief Executive, Section 151 Officer and the Audit and Governance Committee. Julie takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council



David Johnson, Audit Manager

David's role involves overseeing the day-to-day planning and execution of the audit, ensuring the audit requirements are fully complied with and producing reports for the Audit and Governance Committee. David will respond to ad-hoc queries whenever raised and meet regularly with the Section 151 Officer and members of the finance team

Robson Zvenhamu, Audit In-charge

Robson is responsible for the on-site delivery of the audit work. Robson assigns activities across the team and ensures it is completed satisfactorily

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for Exeter City Council to begin with effect from 2018/19. The fee agreed in the contract was £44,573. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

Page 60

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

Audit fees

	Estimated Fee 2021/22	Proposed fee 2022/23
Exeter City Council Audit	£88,549	£88,124
Total audit fees (excluding VAT)	£88,549	£88,124

Page 61

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£53,949
Group Audit – additional work	£6,325
Property, Plant and Equipment engagement of auditor’s expert	£5,000
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISA540	£2,100
Increased audit requirements for Grants and Journals	£3,000
Increased audit requirements of revised ISA315 requirements	£3,000
Increased audit requirements in relation to change in circumstances testing	£500
Increased audit requirements in relation to Collection Fund testing	£750
Other Local Risk Factors	£4,500
Total audit fees (excluding VAT)	£88,124

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and component audit firms providing services to the group and Council.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and component audit firms providing services to the Council.

Other services

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Certification of Housing Capital receipts grant	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Subsidy return	30,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £30,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	36,500		

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		<p>ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.</p> <p>This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.</p> <p>We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.</p> <p>Respective responsibilities</p> <p>As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•	
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 29th SEPTEMBER 2023

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PROGRESS REPORT 1ST QUARTER 1ST APRIL TO 30TH JUNE 2023

Is this a Key Decision?

No

Is this an Executive or Council Function?

COUNCIL

1. What is the report about?

- 1.1 To report on internal audit work carried out during the period 1st April to 30th June 2023, to advise on overall progress against the Audit Plan and to report any emerging issues requiring consideration.

2. Recommendations:

- 2.1 That the Internal Audit Progress Report for the first quarter of the year 2023/24 be noted.

3. Reasons for the recommendation:

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

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

- 4.1 None

5. Section 151 Officer Comments:

- 5.1 There is nothing significant to draw Members attention to in this report.

6. What are the legal aspects?

- 6.1 None identified.

7. Monitoring Officer Comments:

- 7.1 This report raises no issues for the Monitoring Officer save as to say she is pleased to read that progress for previous action is being both monitored and progressed.

8. Report details:

This Committee is responsible for the implementation and active monitoring of audit processes and actions, which includes performance against the annual audit plan, reviewing quarterly internal audit progress reports and seeking responses and assurance from management where remedial action has not been agreed or implemented within a reasonable timescale. The 2022/23 Audit Plan was approved at this Committee on 8th March 2023.

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

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

8.1 **Work Undertaken**

A summary of progress against the annual audit plan to date is shown at Appendix A, together with the current status of each area for review. The outcomes of the review, where completed, are detailed in the Executive Summary for each report issued during the last quarter Appendices B-D.

I am pleased to report that agreed actions from previous audit reports are being progressed satisfactorily.

Progress against the annual audit plan is on target.

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

There are currently no outstanding remedial actions or high risk issues.

8.3 **Governance Issues**

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

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

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

9.1 Good governance contributes to the Council’s purpose of a “Well Run Council”.

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

N/A

11. Equality Act 2010 (The Act)

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

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

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

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

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

11.4.1 The report is for information only

12. Carbon Footprint (Environmental) Implications:

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

13. Are there any other options?

N/A

Director Finance, David Hodgson

Author: Audit Managers, Helen Putt and Helen Kelvey

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

**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

PROGRESS OF 2023-24 AUDIT PLAN TO DATE

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

Audit Review	Report Status	Overall Opinion	No. of Findings & Remedial Action Agreed (High Risk only)	Executive Summary of final report issued during this quarter
Health and Safety				
Corporate Governance				
Risk Management	In progress			
Information Governance				
Counter Fraud				
Partnerships				
Contract Management				
Community Grants Awarded	Final	Satisfactory	5 Medium 7 Low	Appendix B
External Funding / Grants Received	In progress			
Cyber Security				
Main Accounting				
Income Management				
Creditors				
<ul style="list-style-type: none"> • Creditors – Corporate credit card 	Draft report			

Audit Review	Report Status	Overall Opinion	No. of Findings & Remedial Action Agreed (High Risk only)	Executive Summary of final report issued during this quarter
Treasury Management	In progress			
VAT				
Payments and collection	Draft report			
Sundry Debtors				
NDR	In progress			
People Management (including Payroll)	In progress			
Licensing				
Fleet Management				
Car Parks – Stray dogs	Final	Satisfactory	3 Medium 6 Low	Appendix C
Net Zero/Carbon Reduction				
Housing – customers, assets, needs				
<ul style="list-style-type: none"> Housing – Laundry cash at Edwards Court 	Final	Substantial	2 Low	Appendix D
Planning	In progress			
Leisure Facilities	In progress			
Visit Exeter				

2. Community Grants Audit Report Executive Summary

Audit Objective The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls and procedures undertaken by the Council for the awarding of Community Grants by checking compliance with the Exeter Grants Programme - Grants Panel Terms of Reference

Assurance Opinion		Number of actions	
Satisfactory	Whilst there is basically a sound system of internal control there are weaknesses which put some of the objectives at risk or there is evidence that the level of non-compliance with some of the controls may put some of the objectives at risk.	Priority	Number
		High	0
		Medium	5
		Low/Advisory	7
		Total	12

Audit Approach and Scope
 The scope of this audit was to review the Community Grants paid during 2022/23 to ensure that they have been approved in accordance with the Grants Panel Terms of Reference. A check of the entries on the respective community grant financial codes was also undertaken to ensure they agree to the grants issued.

Key controls tested	Assessment	Actions Raised
Terms of Reference		The number of Councillors and Community Representatives on the Panel Group do not agree with the Terms of Reference Grants awarded that do not comply with the Terms of Reference Evaluations forms are not returned by successful applicants
Budget Management		Instances where the grant paid out exceeds the amount requested Unidentified credits on the respective community grant financial codes

Summary and next steps
 The processing of Community grant applications, their review and subsequent approval or refusal is undertaken in an accurate manner. The expected controls are in place.
 It was agreed at the previous Community Grant audit (Covid Grants) that the current Firmstep application process, which was used for processing Covid Grant applications, be expanded upon to undertake some of the labour intensive tasks that the Communities Team have to undertake - unfortunately this did not materialise. However, in April 2023 a meeting was held by the Service Lead - Active & Healthy Living and the Communities Team with the Customer Transformation Team with the view that work on this improvement be undertaken as soon as possible.
 Subsequent progress has been made as their processes have now been mapped by the Digital Team. Once the digitalisation of the community grant process has been implemented, it will further strengthen the control environment.
 This is a final report of the audit findings and incorporates the remedial action agreed with the Programme Manager – Communities and the Communities Officer.

This page is intentionally left blank

2. Stray Dog Audit Report Executive Summary

Audit Objective The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls and procedures undertaken by the Enforcement Team when dealing with 'stray dogs'.

Assurance Opinion		Number of actions	
Satisfactory	Whilst there is basically a sound system of internal control there are weaknesses which put some of the objectives at risk or there is evidence that the level of non-compliance with some of the controls may put some of the objectives at risk	Priority	Number
		High	0
		Medium	3
		Low/Advisory	6
		Total	9

Audit Approach and Scope
 The scope of this audit was to review the 'stray dog' process, in particular the collection of fee income. As the audit progressed, the scope expanded to include a review of the stray dog reporting process and also the availability of the data to the public. Transactions from April 2022 onwards have been used in this audit.
 Information in terms of the current processes and a copy of the stray dog spreadsheet has been provided by the Senior Enforcement Officer and access to and assistance in obtaining information from Uniform (the software used to record the stray dog data) has been provided by the Environmental Health & Community Safety Manager.

Key controls tested	Assessment	Actions Raised
Reconciliation of spreadsheet to F03 92118		Cash income not banked promptly, to the wrong fee income code and a breakdown of the amounts is not available (Environmental Health)
Publication of stray dog details		Stray dog details may not readily available to the public in accordance with Statutory Requirements
Stray dog reporting process		
Reconciliation of spreadsheet to Uniform		

Summary and next steps
 Stray Dogs used to be under the control of Environmental Health and whilst the public facing aspect of this role was transferred to a different service area, the back office functions remained within Environmental Health. This audit has considered whether these back office functions should remain within Environmental Health and the conclusion is that in terms of efficiency and to ensure an adequate control environment, it may be beneficial if these back office functions were in future undertaken by the Enforcement Team themselves. The Net Zero & Business Service Area agrees with this and work has already started in order to achieve this.
 This is a final report of the audit findings and incorporates the remedial action agreed with the Net Zero & Business Service Area.

This page is intentionally left blank

2. Collection of laundry cash - Old Persons' Properties - Audit Report Executive Summary

Audit Objective *The overall objective of this audit was to review the adequacy and effectiveness of the system of controls procedures undertaken by the Council for the collection of laundry money at their Old Persons' Properties, including the security of the cash and Officers.*

Assurance Opinion		Number of actions	
		Priority	Number
Substantial	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.	High	0
		Medium	0
		Low/Advisory	2
		Total	1

Audit Approach and Scope

The Senior Housing Officer had requested this audit as she had concerns regarding the current process for collecting cash and thought that the Housing Officers may be at risk carrying cash around with them.

The scope of the audit included the following:

- production of a system description
- testing of key controls as shown below

Key controls tested	Assessment	Actions Raised
Records of cash collected		
Security of cash held		
Reconciliation of cash records to EFins		

Summary and next steps

The security risk to the Housing Officers collecting the cash is considered low as the average amount collected per month is between £232 (2022/23) to £242 (2023/24). Cash is held securely in a locked cabinet within one of the properties (Abbeville) with access restricted to the two Housing Officers.

The Tenancy Services Lead, is currently liaising with the Council's Legal department to look into the feasibility of incorporating a small fixed laundry charge within the main service charge. This supports the Council's move to a cashless office which is part of its review of cross function services.

This is a final report of the audit findings and incorporates the remedial action agreed with one of the Senior Housing Officers (KH). Remedial action has been agreed with management for all the findings identified.

This page is intentionally left blank

PROGRESS REPORT ON SIGNIFICANT GOVERNANCE ISSUES IDENTIFIED IN THE ANNUAL GOVERNANCE STATEMENT 2022-23

AGS Issue No.	Issue identified	Responsible Officer	Summary of action proposed	Update Sept 2023	Update December 2023	Update March 2024	Notes
1	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. 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.	Director Finance	One Exeter plan is operational and being progressed. Specific reduction targets have been set for each year of the plan. This is being monitored monthly by SMB. Clear programmes of work are in place and are being actioned. 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.	Awaiting update from D Hodgson			
2	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.	Service Lead - Revenues, Benefits and Customer Access	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.	The external review of debt collection has been completed and a report will be going to the Strategic Management Board for consideration at their meeting of 26 September 2023.			
	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: <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 	Audit Managers	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. Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes	We are continuing to provide support as needed and requested.			

This page is intentionally left blank

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 27th September 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?

Risk management is a Council function.

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

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

1. What is the report about?

1.1 This report was presented to the Executive on the 5th September which advised the committee of the council's risk management progress and presented the revised Corporate Risk Register (Appendix A), which has been linked to the Council's Strategic Priorities. It was agreed that the Corporate Risk Register would be presented once a quarter with proposals for any necessary actions to help mitigate the risks for which it is responsible. The report is also being presented to the Audit & Governance Committee to continue the role of ensuring that the Council has a robust process in place for identifying and mitigating risks. It is intended that a report will be made to this Committee every six months.

2. Recommendation:

2.1 That the Audit and Governance Committee notes the report and comment on the new process in place to manage risk

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.

4 What are the resource implications including non-financial resources

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

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:

5.1 SMB and the Executive have produced an agreed new register based on the Council's 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?

6.1 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:

7.1 The Corporate Risk Register (CRR) sets out the "across the board" risks that could threaten the Authority's core business and the way it operates. Risk management is an important aspect of our organisation's corporate governance responsibilities enabling the application of appropriate control measures as necessary to manage and minimise emerging risks.

8 Report details:

8.1 In light of a review of the council's approach to risk management, the Corporate Risk Register (Appendix A) has been revised following a workshop facilitated by the Council's insurers, Zurich. The risks identified in the revised Corporate Risk Register link to the Council's Strategic Priorities. As part of the Council's Improvement Programme, the Strategic Management Board has reviewed the council's approach to risk and propose that the Corporate Risk Register should be presented to Executive to provide assurance that the appropriate mitigations are in place. As stated above, the Council's Audit & Governance Committee will continue to have a role in ensuring that the council has a robust process in place for identifying and mitigating risks.

8.2 Each risk is assessed against the following matrix, assessing the likelihood and impact before and after mitigation.

Likelihood ↑	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		Impact →			

8.3 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.

8.4 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.

8.5 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
-----------	-----------	--------------	------------	-------	------------	-----------

8.6 The two tables above use Very high, High, Medium, Low and Very Low to assess the resources required and the risk drivers.

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

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: because

11.4.1 The report is for information only

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 No direct carbon/environmental impacts arising from the recommendations.

12.2 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

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 265115

Review: Apr-23

Reference	Category	Corporate Plan Alignment Area	Risk Description	Risk Scoring		Target Date
				Inherent	Residual	
1	Strategic	Net Zero Carbon City	Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan.	16	16	Apr-30
2	Strategic	Healthy and Active City	Making progress towards a Healthy and Active City	12	6	Mar-25
3	Strategic	Leading a Well-run Council	Adapting the council workforce to ensure appropriate skills and experience	9	6	Jan-23
4	Strategic	Leading a Well-run Council	Maintaining the Financial Sustainability of the Council	16	8	Feb-24
5	Strategic	Leading a Well-run Council	Maintaining the Council's Property and Infrastructure Assets	16	12	Feb-24
6	Strategic	Housing and Building Great Neighbourhoods	Delivering Housing and Building Great Neighbourhoods and Communities	16	16	Mar-25
7	Strategic	Thriving Culture and Heritage	Maintaining a thriving Culture and Heritage sector	9	2	Mar-26
8	Strategic	Prosperous Local Economy	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.	12	9	Mar-24
9	Strategic	Leading a Well-run Council	Progressing the design and delivery of a corporate Customer and Digital Strategy	16	12	Mar-24

Internal				External							Risk Appetite Rating
Resources				Risk Drivers for Appetite							
Time	Financial	People	Assets	Political	Financial	Reputational	Regulatory	Legal	Compliance	Community	
High	High	High	High	Very High	Low	Very High	Very Low	Very Low	Low	High	Cautious (M)
Medium	Medium	High	High	Very High	Low	Very High	Low	Low	Low	High	Open to Risk (H)
Medium	High	Low	Very Low	Very High	Very High	Very High	Medium	Medium	Medium	Very High	Open to Risk (H)
High	Low	High	Very Low	Very High	Very High	Very High	Very High	Very High	Very High	Very High	Cautious (M)
Very High	Very High	High	Very High	Medium	Very High	High	High	Very High	Very High	Very High	Cautious (M)
Very High	High	Medium	Low	Very High	High	Very High	High	High	High	Very High	Open to Risk (H)
Medium	High	High	Medium	High	High	Medium	High	Low	Low	Medium	Cautious (M)
Low	Low	Low	Low	Very High	Very High	High	Medium	Low	Low	Very High	Open to Risk (H)
High	High	High	High	Medium	High	Medium	Medium	Low	Low	Medium	Open to Risk (H)

Corporate Risk Register

					Review Month:			May 2023			
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Implementation Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
1	Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan.										
	<p><u>The key challenges are:</u></p> <ul style="list-style-type: none"> GHG emissions in Exeter are on a downward trajectory with emissions down by a third from 2008 to 2019. However, this reduction is largely due to the reduction in the carbon intensity of the national electricity grid. There has been a 64% reduction in emission from the power sector (with most generation plant located outside Exeter) between 2007 and 2019. It is concerning that emissions from buildings and transport are exceeding targets set for 2020 and the lack of progress in these sectors, combined with growth in the city, will potentially lead to increases in emissions. Significant work to reduce emissions from buildings and transport will be required to deliver Net Zero for the City. <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> No resources within ECC assigned to Citywide Net Zero ambitions Financial pressures and the large costs of carbon reduction Behavioural challenges over influencing businesses and public Technical capability to deliver and limited solutions available on the market Lack of control over all stakeholders (businesses, visitors etc.) Political environment and acceptance of policy changes required Misalignment with UK and Devon Climate Plan Failure to engage with resident and business of Exeter to ensure solutions proposed meet real need. <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> Exeter does not meet its citywide target of becoming Net Zero by 2030. 										
	November 2019	PH - Climate & Ecological Crisis Officer Lead: None Identified	4	4	16	We are working with the University and Devon County Council to support their work in this area and focusing on reducing our own carbon emissions. Our internal carbon net zero plan is now the subject of a separate risk register presented half yearly to the Audit & Governance Committee by the Corporate Energy Manager, Net Zero Team at the request of members.	4	4	16	May 2023: None.	Apr-30
Page 92	Making progress towards a Healthy and Active City										
	<p><u>Potential causes</u></p> <ul style="list-style-type: none"> Inability to deliver a cost neutral leisure service due to the financial nature of the service, cost of service delivery, and political aspiration of running a well run adequately funded service. Increasing socio-economic challenges and their impact on health inequalities and wellbeing with fuel poverty for example, resulting in reduced mental and physical wellbeing, with people in particular groups increasingly feeling isolated and unable to cope. Finding a sustainable funding model for Wellbeing Exeter, which we know makes a difference to the health and wellbeing of individuals and communities at a time of increasing pressure on public sector budgets. The ongoing risks to public swimming pools, gyms and leisure centres nationwide as a consequence of the Covid pandemic and increasing costs. The impact of the increasing cost of living, wage bill and energy on costs, whilst trying to keep costs to Exeter residents low. Responding to the post-pandemic impact on health inequalities and deprivation including a decrease in physical inactivity for those on low incomes or from culturally-diverse communities. <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> Inability to deliver a cost neutral leisure service. Conflict between aspiration of delivering 'cost neutral' and political expectation to deliver a well run service. Wellbeing Exeter closure and significant impact on creating stronger communities Inequalities deepen across the city. Sport England don't continue to fund work - including capital development for Wonford Short term changes may not be sustainable 										
	May 2023	Portfolio Holder for Leisure and Physical Activity Officer Lead: Director for Culture, Tourism and Leisure	4	3	12	Sport England provide external funding until 2025 and possibly longer. Playing Pitch Strategy identifies opportunities SSP has increased leisure membership beyond 10,000 and provides the opportunity for wider reach. Built Facilities Strategy underway. Engagement with multiple stakeholders around delivery of Wellbeing Exeter. Strong defined and realistic commercial targets monitored regularly	3	2	6		Mar-25

						Review Month:			May 2023		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Implementation Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
3	Adapting the council workforce to ensure appropriate skills and experience										
	<p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Ageing workforce (half of staff over 50, considerable enough) - Difficulty to recruit into key areas - professional areas (planners, lawyers) - Empowerment, skills and engagement of managers to enable this change <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Loss of experience - Increased spending on agency workers - Not having cost effective council services delivering the right outcomes - Service disruption - Cost of appeals / challenges across the council services - Increased stress / pressure on workforce 										
	June 2019	Corporate & Democratic Services and Environmental Health Officer Lead: Director Corporate Services	3	3	9	<ul style="list-style-type: none"> -Market supplement scheme in place -Retention scheme being worked on -New performance and development scheme to help with work force planning agreed by SMB. -Pay strategy review (working with the LGA) to be commence in 2024. -Employee wellbeing framework being progressed. -New behavioural framework agreed by SMB. - Apprenticeship opportunities for new and existing staff continue. - Robust review of essential skills and recruitment to enable employing part qualified staff and training them whilst working. - Improvements in people metric reporting to SMB (e.g age, gender, skills profiles) - Building on the agile and flexible program to work towards hybrid working to continue modernisation of working practices. -Creation of a staff think tank to consider how we might improve office work environment. - Business Partnering model allowing for greater collaboration between service areas and HR 	2	3	6	<ul style="list-style-type: none"> Market supplement scheme now formally codified in a policy. Draft retention scheme submitted to JCNC, but additional work required. New performance and development reviews to be formally launched in September 2023. New provider for our employee assistance programme recruited and launched in April 2023. New behavioral framework to be launched by 2024. Creative dream team (think tank) meeting fortnightly and progressing well. 	Jan-23

						Review Month:			May 2023		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Implementation Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
4	Maintaining the Financial Sustainability of the Council										
	<p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Inability to deliver £5.1m savings target over four year period (to 2027-28); - Inability to maintain Business Rates income at levels currently generated; - Policy, regulatory or legislative changes which are not fully funded from central govt; - Impact of high inflation, rising interest rates and other external economic factors; - Potential for Local Government Finance redistribution (including a reset of Business Rates); <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Significant reductions required to Statutory Services, which become unable to function legally; - unable to balance budget, Government intervention required; - larger than anticipated reductions (in year or over longer term). - reduction in reserves below minimum level; - impacts on council services and therefore resident outcomes. 										
	January 2018	Leader of the Council Officer Lead: Director Finance	4	4	16	Detailed MTFP assessed and agreed with Members; - One Exeter plan agreed and being implemented with suitable governance arrangements in place; - Budget for 2023-24 agreed; - Significant investment in city centre regeneration (St Sidwell's point & bus station) including developing a new vision for the rest of the site which includes mixed use; - Appropriate level of unringfenced general fund reserves to protect against shocks; - Identify and bid for alternative sources of funding; - Lobby government for relaxation of council tax increase restrictions; - The Council has a clear strategy to address the savings required.	2	4	8	May 2023 - The MTFP has been rolled over and work has begun on reviewing the One Exeter Programme in the context of the updated Plan. Energy price inflation has started to ease and is expected to fall over the year before stabilizing. The Council will also benefit from the Change in VAT treatment for Leisure.	Feb-24

			Review Month:			May 2023					
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Implementation Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
5	Maintaining the Council's Property and Infrastructure Assets										
	<p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> • Council owns 100 operational properties and 600 Commercial Properties as well as 28 Bridges, 50 Parks, 90 Play Areas Footpaths, Highways, walls and a River, Canal and other watercourses • Shortages of materials and labour causing delay and increased costs across the capital programme • Interest Rate rises causing the cost of borrowing to rise significantly • Additional Borrowing adds pressure to the financial stability of the Council. <p><u>Potential impacts:</u></p> <ul style="list-style-type: none"> • Increased costs to Council • Sheer number of assets extremely high for a District Council, potential to cause significant financial harm • Delay in all projects, predominantly the condition survey projects and HRA programme, leading to prolonged periods of buildings being below the standard the Council is aiming for 										
	August 2021	Leader of the Council Officer Lead: Director Finance	4	4	16	<ul style="list-style-type: none"> - Consider Programme of Asset rationalisation - Identify alternative sources of funding to reduce borrowing - Commercial Properties mainly let on a full repairing lease basis - Reviewed existing capital programme to defer and remove schemes. - Change of emphasis to internally borrow in the short term to offset interest rate rises. 	4	3	12	May 2023: Capital Programme has been reduced. This does not mitigate the risk of deterioration of assets, but manages the risk to the financial position. Targeted review of assets to determine value. Making review of long leases a priority to deliver further capital receipts	Feb-24

						Review Month:			May 2023		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Implementation Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
6	Delivering Housing and Building Great Neighbourhoods and Communities										
	<p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - all brownfield sites are currently unviable - inadequate infrastructure funding for brownfield land regeneration - lack of specialist staff resources to support the work - inability to address complex land assembly and infrastructure challenges - significant abnormal costs associated with this type of programme - low land/property values and lack of investment appetite (especially BTR sector) - Lack of 5 yr land supply: Resulting in loss of planning control and sub-optimal development - Delay in the preparation of the Exeter Plan: Resulting in sub-optimal development, development impact and impacts for the 5 yr land supply - Lack of delivery capacity: Resulting in slow delivery of LE sites, impacts for the 5 yr land supply <p><u>Potential impacts:</u></p> <ul style="list-style-type: none"> - loss of income to the Council to fund services (CIL; S106; NHB; Council Tax; Business Rates) - carbon neutral not achieved by 2030 - city housing needs not met by 2040 - new communities not created - active and accessible city aspirations not met - new homes do not meet Garden City principles - housing built in locations the council is seeking to avoid 										
	November 2021	Leader of the Council Officer Lead: Director City Development	4	4	16	Brownfield land release fund: <ul style="list-style-type: none"> - project management capacity brought in - sites included in ECL business case - Director of Planning & Development appointed - examples of the strategic investment required are the housing infrastructure fund (HIF) and other strategic investment funds such as administered by One Public Estate and the Department for Levelling Up, Housing and Communities - some limited capacity funding has been secured on an annual basis from Homes England, but the programme has been stalled. - Consultants commissioned to produce Marsh Barton Development framework and Liveable Exeter Principles. - DCC & ECC progressing work on Feasibility Study for Southgate. - Full Business Case to be prepared for the Exeter City Fund concept - there needs to be a willingness to acquire land and property to move forward in a sensible phased programme including a willingness to compulsory purchase land; there needs to be a willingness to dispose of land and property to move forward in a sensible phased programme including a willingness to re-purpose some Council car parks. - need to step up the support commensurate with the scale and pace of development required - the Council adopts an enabling culture rather than relying on a regulatory culture - Exeter Place Board to bring together the city's institutions to take ownership of the vision and aspirations and to work collectively on obstacles to delivery - Officer to continue to approach landowners in key locations to bring forward key sites in the programme 	4	4	16	May 2023: Consultation on an outline draft Exeter Plan was completed; A comprehensive study of Council car parks has been concluded; A Stage 2 Feasibility on Southgate is being procured; Consultants appointed to deliver a Development Framework and Design Code for Water Lane; the Exeter Design Quality Partnership has been established; Planning Performance Agreements have been completed for Water Lane and Exeter St Davids - planning applications anticipated later this year; a successful recruitment process in City Development has been undertaken and only one senior post remains vacant; consultants have been appointed to undertake a FBC for the EDF; The Growth Board meets monthly to monitor progress on LE/brownfield sites and identify delivery solutions; a portfolio of sites for R3 BLRF are being brought together; Vaughan Road Phase 1 has commenced; a project team has been assembled to kick start City Point.	Mar-25
		PH - City Development									

						Review Month:			May 2023		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Implementation Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
7	Maintaining a thriving Culture and Heritage sector										
	<p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> • Uncertainty around National Portfolio Organisations • To be seen by the Arts Council as 'Priority Place' against levelling up schematics • Moving from delivery to enabling and facilitation • Inability to create a flourishing night-time economy • A need to balance cultural ambition with the national funding picture and local financial challenges • A need to support Visit Exeter as a vital mechanism for promotion of our events, business and cultural offer. • Budget savings to address the medium term financial plan • UNESCO City of Lit working as a separate entity to the city, which is the designation holder. <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> • Loss of NPO funding • Loss of wider impact of cultural regeneration of the city. • Inability to support night time economy • Inability to support cultural sector • Inability to deliver services including RAMM, Corn Exchange, Red Coats, Custom House, Underground Passages, Box Office • Non-renewal of UNESCO status • Reputational impact locally, nationally and internationally 										
Page 97	May 2023	Deputy Leader Officer Lead: Director Culture, Tourism and Leisure	3	3	9	Strong relationship with Arts Council England and stakeholders. New five year Cultural Strategy being developed with tangible deliveries. Significant cultural assets owned and run by the cultural sector. UNESCO City of Literature status awarded and monitored. Funding agreed with ACE until 2026 with Exeter's National Portfolio Organisations	1	2	2		Mar-26
	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.										
	<p><u>The key challenges are:</u></p> <ul style="list-style-type: none"> • Retention and recruitment, with some difficult-to-fill vacancies, which is stifling business growth. • A rise in residents becoming economically inactive, particularly those in the 50+ age groups. • Matching the learning and skills opportunities for residents with current and future job opportunities. • Low levels of graduate retention from the University of Exeter. • Levels of aspiration amongst our young people and limited awareness of opportunities. <p><u>Potential Causes:</u> Following budget reductions in April 2019 and the discretionary services review implemented in April 2023 there is no longer an economic development service or skills function. Both discretionary services have ceased and there is no officer resource or budget to progress this corporate priority.</p> <p><u>Potential Impacts:</u> The identified key challenges are not addressed.</p>										
	May 2023	Deputy Leader Officer Lead: Director Net Zero and City Management	3	4	12	We have worked with the University and Exeter College to enable them to take on more of a leading role in this area.	3	3	9		Mar-24
9	Progressing the design and delivery of a corporate Customer and Digital Strategy										
	<p><u>The key challenges are:</u> Digital technology has, and is continuing to change the way people live, connect and work. The Covid-19 pandemic has seen resident and customer expectations shift. Digital technology has evolved significantly and for most of us, digital technologies have become an essential part of our lives and we all want easy access to joined-up information and efficient secure services in the palm of our hand. People increasingly expect to interact with organisations wherever they like, whenever they like, on whichever device they have and on whatever channel they choose. With customer behaviour changing faster than ever, the task of digital transformation demands significant changes to people, processes and technology. We are currently lagging behind many other Councils in our development of digital services and how we engage with our customers to improve and develop them. We have identified this as a priority to address in the One Exeter programme. We are taking a strategic approach and will be launching a draft Customer Communication and Digital Services Strategy consultation alongside developing a digital road map in partnership with Strata our shared IT Company and our co-owners (Teignbridge and East Devon District Councils). Our key challenges are the pace and scale of transformation needed in business processes; functional and organisational structures; culture; skills and resources within the Council and also within and between Strat and our partners.</p> <p><u>Potential Causes:</u></p> <p><u>Potential Impacts:</u> Failure to agree and implement the required level of Corporate change will impact on the ability of the Council to deliver a balanced MTFP which requires transformational change in how are services are delivered. One Exeter requires staff working more effectively to meet increases in demand with higher costs and reduced income. Digital, integrated and automated services are essential to achieving the most cost-effective outcomes for customers.</p>										

						Review Month:			May 2023		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Implementation Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
	May 2023	Leader of the Council Officer Lead: Director Transformation	4	4	16	Implementing a strategic, corporate approach to ICT, digital, automation and customer communication Deeper collaboration and development of shared approaches and services with Strata, Teignbridge and East Devon District Councils Implementing a single integrated transformation programme across the Council, with strong leadership from SMB and the Extended Management Team Breaking down service silos and introducing a customer-centric culture to underpin functional and structural integration across the Council Investing in updating technology resources and skills Implementing a strategic Corporate approach to ICT, digital, automation and customer communication	3	4	12		Mar-24

REPORT AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 27 September 2023

Report of: Net Zero Exeter & City Management

Title: City Council Net Zero Risk Register

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To update the City Council's Net Zero Risk Register and assess the risk to measures needed to reduce the Council's Carbon Footprint, and achieve the Council's Net Zero target of 2030.
- 1.2 To address the impact of extreme weather events, and other risk to service delivery and adaptation required to protect Council services in relation to climate change.

2. Recommendations:

- 2.1 That the Audit and Governance Committee recommend to Council that the City Council's Net Zero Risk Assessment update is noted and approved; and
- 2.2 That it is noted that the risk assessment will continue be updated every six months.

3. Reasons for the recommendation:

- 3.1 To highlight the risks associated with measures required to reduce City Council GHG emissions. Climate Change, carbon performance and management technologies are changing all the time and as such both the Risk Register and Carbon Reduction Plan are live documents and reviewed every six months.
- 3.2 To enable the Net Zero team to strategically plan resources, organisational change and budget to deliver activity and progress to support one of the main City Council's corporate priorities.
- 3.3 To enable risks associated with reducing City Council carbon emissions to be measured, monitored, reported on and incorporated into all City Council processes.

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

- 4.1 Financial and non-financial resources to reduce City Council carbon emissions are in place, detailed a July 2022 report to Executive. An update on spend is within a report to Strategic Scrutiny September 2023.
- 4.2 Further work will be undertaken to complete a detailed risk assessment related to service area and scope, to identify financial and non-financial resources needed for the City Council to achieve net zero by 2030 and to protect services against climate change. This activity will be developed, when resources allow and in line with the carbon reduction plan priorities.
- 4.3 Achieving net zero, whether nationally, locally or organisationally, requires broad action across all emission scopes and by every service. To deliver Net Zero for the City Council by 2030 will require a significant increase in financial investment and operational capacity internally, from government at a local, regional and national level and potentially from private investment.

5. Section 151 Officer Comments:

- 5.1 The register highlights the challenges in delivering such a huge piece of work with limited financial resources. The economic conditions including high interest rates exacerbate the challenge.

6. What are the legal aspects?

- 6.1 Section 1 of the Climate Change Act 2008 states that '[i]t is the duty of the Secretary of State to ensure that the net UK carbon account for the year 2050 is at least 100% lower than the 1990 baseline. The target was originally 80% and was increased to 100% by the Climate Change Act 2008 (2050 Target Amendment) Order 2019.
- 6.2 Exeter City Council has declared a climate emergency and set the target of achieving net zero by 2030.

7. Monitoring Officer's comments:

- 7.1 This risk assessment is prepared in order to identify potential barriers to the Council's Net Zero aspirations and enables the council to continuously monitor those risks. More importantly, it promotes a strong culture around risk management and where possible identifies ways to mitigate those risks.

8. City Council Net Zero Risk Register

- 8.1 The City Council's Net Zero Carbon Reduction Plan is to be reported to Strategic Scrutiny September 2023. It has been reviewed by City Council services and a full update completed.
- 8.2 The City Council's latest Green House Gas Inventory report is included in the Scrutiny Report and a small decrease of total carbon emissions is reported in the 2021/22 footprint. The report also includes the supporting carbon reduction plan, which is a live document. It will continue to inform the work programme of the Net

Zero team, all City Council services, and subsequent budget required to deliver net zero.

- 8.3 Correspondingly, the Risk Register developed in July 2022 (Appendix 1) is a live document and has been updated to covers aspects of net zero activity within the City Council. In addition to guidance from the National Audit Office, and organisational adaptation measures to protect the delivery of City Council services
- 8.4 Within the Net Zero Risk Register, ref 1 remains red. Current resources (financial and capacity) available to City Council, will not enable the City Council to reach net zero by 20230. The Net Zero team are constantly looking at ways to reduce our corporate carbon emissions through change behaviour or innovative solutions in reducing our carbon emissions; they are also applying for external funding to speed up the delivery of the action plan.

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

- 9.1 This report and the work of the Net Zero team links directly to the Exeter Vision and a number of corporate priorities. Work will have to be delivered in partnership with all City Council service areas to reduce our carbon emissions.

Exeter Vision	Innovative & Analytical City	The team has developed a range of data sets to monitor City Council carbon emissions
	Healthy & Inclusive	Ensure City Council owned homes are energy efficient
	The Most active city in the UK	Projects are developed to support active travel for employees
	Accessible world class educations	N/A
	Liveable & connected	Commercial and residential properties are energy efficient and built to the best possible standard
	A leading sustainable city	The City Council is a role model for other organisations in Exeter

Corporate Plan	Net Zero Carbon City	Net Zero team focuses on reducing City Council carbon emissions to deliver Net Zero by 2030
	Prosperous Local Economy	Green Accord supports a local supply chain, better recording of data and procuring locally
	Healthy and Active City	Working in partnership with Live & Move in developing sustainable travel options and low traffic neighbourhoods for staff active travel
	Housing & Building Great Neighbourhoods and Communities	Working with Building Greater Exeter, Liveable Exeter, Exeter City Living and other developers in developing sustainable and accessible neighbourhoods and new homes, using sustainable constructions methods
	Leading a Well Run Council	Carbon reducing actions can be commercially viable and reduce service delivery costs

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

- 10.1 The City Council's annual Green House Gas Inventory report, supporting carbon reduction plan and risk register will inform the work programme of the Net Zero team for the foreseeable future. These documents are presented to Strategic Scrutiny and Audit & Governance on a regular basis for ongoing monitoring.
- 10.2 The Net Zero team have been successful in providing improved data, and more accurate carbon accounting, to ensure the annual footprint report is accurate allowing the City Council to better monitor progress and impact.
- 10.3 The financial cost to deliver net zero within the City Council will be significant. At every opportunity, funding bids are submitted to capture available grants to deliver projects needed to decarbonise the Council's operation and protect services.

11. Equality Act 2010 (The Act)

- 11.1 In developing the action plan, the Net Zero team will take into account the potential impact of actions 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. An EQIA will be undertaken for each action being developed.
- 11.2 An EQIA was undertaken in developing the new Net Zero & Business team in allocating resources.

12. Carbon Footprint (Environmental) Implications:

12.1 The City Council declared a Climate Emergency in 2019 and as part of this commitment it aims to achieve net zero emissions for its corporate activities by 2030. The Risk Register will consider the carbon reduction measures required to achieve net zero.

13. Are there any other options?

13.1 There is the option of not committing financial and non-financial resources to work towards Net Zero within the City Council. This would result in a lack of direction in reducing our carbon emissions and missing our 2030 target. On a regular basis, the Net Zero team will be sourcing and applying for external funding to enable delivery of the City Council's own carbon plan, working towards net zero within the City Council.

Director Net Zero & City Management, David Bartram

Author: Service Lead Net Zero & Business

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

Background papers used in compiling this report:-

Contact for enquires:

Democratic Services (Committees) Room 4.36 01392 265115

This page is intentionally left blank

Net Zero & Business Risk Register

Ref	Service	Risk Title and Description	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
					Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score			
1	Net Zero & Business	<p>Too ambitious target to reduce City Council carbon emissions to 'net zero' by 2030</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> Ineffective data monitoring & methodology Change in Corporate Priorities Lack of understanding of carbon emergency and net zero ambition Officers unwilling or with no capacity to engage or make changes to their service Lack of technological advancement and financial barriers Growth in activity levels increasing scope 3 emissions Buying or building new buildings/property <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> Not achieving Corporate Priority Reputational risk and damage Carbon emissions not decreasing Services being under the spot light as high carbon emitters Reliance on offsetting High spend to achieve aggressive carbon reduction methods Lack of funds to reduce carbon emissions 	13/06/2022	Net Zero Project Manager	4	4	16	<ul style="list-style-type: none"> Establishment of Net Zero Team Regular engagement with relevant Directors on changes needed to reduce service carbon emissions Engagement with Centre for Energy and Environment to establish improved data and changes required to reduce carbon emissions and production of Corporate Carbon Footprint. As a result of improved data collection and interpretation the City Council's carbon emissions have been revised. Emissions for 2021/22 were 36,631 tCO₂e, which represents a reduction of 2,293 tCO₂e (6%) on the previous year Engagement with the Devon Climate Emergency team Network to learn from best practice with industry and other public organisations Net Zero Ambassadors meet on regular basis to share best practice and support service changes Carbon Literacy training roll out programme in place delivering training to Net Zero Ambassadors, SMB, OMB, Cllrs and other officers Monitoring legislative changes to support a reduction in carbon emissions Regular 1-2-1's with Portfolio Holder for climate change Be open and transparent with all Net Zero Ambassadors, Officers, Service Areas and Cllrs News items regularly posted in City Newsletter and website Site visits to new Water Lane solar farm and battery storage project 	3	4	12	<ul style="list-style-type: none"> Review targets and continue to update and revise carbon emission reporting annually Continue to deliver regular updates and presentations to Strategic Scrutiny on the Risk Register, Carbon Footprint and implementing of the City Council Carbon Reduction Plan Extend contracts of Net Zero Data Support Officer and Sustainability Project Officer to support work until 2030 Net Zero Ambassadors to be involved with setting annual action plan and to be allocated budget to reduce carbon emissions and allow ownership on a service level 	2030	As a result of reduced spend, and improved data collection the City Council's carbon emissions has been updated in the 2021/22 footprint with an overall carbon emission reduction of 6% based on the previous year..
Page 105	Net Zero & Business	<p>Unable to reduce City Council Scope 1 direct emissions from owned sources (fuel consumption and company vehicles)</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> Ability to plan for net zero with uncertainty of new assets and disposal of by 2030 Lack of financial resources to make changes within each service area Lack of full funding and /or match funding where business case is not viable Lack of asset condition data and investment audits Funding packages do not fit with City Council corporate priorities or eligibility match Lack of capacity in managing external funding bids and delivery of multiple projects Covid impact and temperature effect (reduced heating due to warmer temperatures) show decline in emissions but mask lack of efficiency Lack of investment in Leisure stock by previous operator Lack of specialist vehicle replacement Electrical replacement availability <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> Backlog of projects and initiatives developed Some innovative projects not able to progress with low feasibility or asset uncertainty Net Zero projects stalled, due to lack of external/internal funding City Council unable to achieve net zero by 2030 	15/06/2022	Net Zero Project Manager	3	4	12	<ul style="list-style-type: none"> Investigate potential sources of funding on a regular basis and optimisation of PSDS Regular discussions with other local public organisations to evaluate joint funding bids Development of a comprehensive business case presented Engagement with Procurement BMS upgrade and EMIS secured through PSDS finding to provide better data A wide range of housing measures to reduce emissions from domestic housing stock is supported by better data and a range of effective measures around energy efficiency Water Lane Solar Farm battery storage in place, directly connected to EV charging infrastructure to support full electrification of fleet Electric RCV's purchased, electric vans and pool car in operation Report commissioned to support whole fleet electrification and equipment across all services City Heat Network feasibility study being conducted Alternative fuel for fleet vehicles being investigated External funding streams sought from PSDS, Sport England, MEND and internal invest to save opportunity 	2	4	8	<ul style="list-style-type: none"> Continue to review and monitor funding opportunities Regular discussions with DCC & LEP to secure funding for Exeter region Expert advice needed to deliver more aggressive measures for decarbonisation in high consumption buildings Investment grade decarbonisation audits to be carried out on a priority basis, and to continue to target available grants to establish work needed and cost. Greater asset management capacity needed to include energy efficiency in all property maintenance Investigate potential leasing options and availability of alternative as well as electric fleet and equipment across all services 	2030	
	3	Net Zero & Business	<p>Unable to reduce City Council Scope 2 indirect emissions from generation of purchased energy</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> Energy efficiency measures fail to drive down consumption as per Scope 1 (above) Change in national policy which does not incentivise PV National grid decarbonisation is slower than forecasted Carbon savings from self generation is reduced <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> Potential reduction in national carbon saving from grid decarbonisation Carbon saving of solar PV is outweighed by energy security and financial savings City Council unable to achieve net zero by 2030 	15/06/2022	Net Zero Project Manager	3	4	12	<ul style="list-style-type: none"> Significant Solar estate installed across the corporate estate, including Water Lane Solar farm and private wire to supply Exton Road Battery storage installed at Solar Farm and Livestock Centre and John Lewis Car Park to increase self supply LED lighting schemes installed Development of a comprehensive business case presented to support energy saving schemes New solar opportunities for self supply on 13 corporate assets being investigated 	2	3	6	<ul style="list-style-type: none"> As per Scope 1, further energy saving measure across all buildings required PPA potential and extensive generation, including wind and hydrogen to be investigated Engage with local public sector bodies to ensure collaborative schemes are explored Keep finance / legal / audit involved with the delivery of the commercial activity as well as energy saving New funding sourced to deliver and implement energy efficient measures to our corporate property estate 	2030

Net Zero & Business Risk Register

Ref	Service	Risk Title and Description	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
					Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score			
4	Net Zero & Business	<p>Unable to reduce City Council Scope 3 other indirect emissions (supply chain, assets, investment, waste disposal, employee commuting)</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> Insufficient data capture to provide meaningful incentive for reduction Procurement Policy unable to support carbon reduction measures in our supply chain e.g contractors do not/unable to reduce emissions High financial cost of using contractors with low associated GHG emissions (Procuring a 'green' alternative is prohibitively more expensive) City Council purchase of new assets and increased carbon outputs City Council build new residential and commercial property increases carbon outputs Lower cost options when carrying out building maintenance repairs can increase carbon emissions and spend in the longer term Supply chain do not implement changes to their business <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> Scope 3 emissions increase on an annual basis City Council unable to achieve net zero by 2030 Reputational damage & risk 	13/06/2022	Net Zero Project Manager	4	4	16	<ul style="list-style-type: none"> Procurement Policy amendment to support a reduction in Scope 3 emissions Net Zero Ambassadors influence procurement decisions within their own service area - spend less Green Accord undergoing relaunch - to support supply chain and use of contractors with commitments to mitigate climate change Regular internal and external communications to introduce better methodology to capture accurate meaningful data to incentivise reduction, "you cant manage what you dont measure" LEVI bid to support further EV charging infrastructure to include staff EV charging New technology and agile working facilities for reduction in staff travel emissions Regular 1-2-1's with Portfolio Holder for climate change 	3	4	12	<ul style="list-style-type: none"> Specific categories to be added to the new e Procurement system for meaningful data capture to provide meaningful procurement emissions to incentivise reduction Seek requirement that all contracts over £50k should be required to state GHG emissions for that contract Planned regular discussions with Procurement and service leads on spend and how to best tackle Scope 3 emissions Set up mandatory evaluation for need for new buildings and include requirement to assess what the purchase would add to the Council's footprint Assessment of building new versus use of existing assets and building efficiently Sustainable building maintenance policy to review lifecycle emissions and overall cost benefit of low carbon alternatives Green Travel Plan to support reduced staff transport related activities and lower emission alternatives and other modes of transport, including reduction of unnecessary journeys Relaunch of Green Accord scheme to better engage with Council's supply chain and reduce emissions throughout supply chain 	2030	
Page 106	Net Zero & Business	<p>Reliance on afforestation to offset carbon emissions</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> Additional planting of trees cause land use change, removing play areas and other valued land uses Impact of Ash die back on existing tree canopy decreasing carbon stored in ECC trees <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> High expenditure from afforestation Planting trees isn't reducing emissions, therefore masks existing emissions 	15/06/2022	Service Lead Net Zero & Business	3	3	9	<ul style="list-style-type: none"> GHG emission savings vary depending on planting of different biomass Native trees planted Carbon Footprint Report set out definitions of quality criteria needed for offset projects and to use where emissions are unavoidable Tree eco report exploring the Exeter's trees' potential to influence net zero balances commissioned 	2	2	4	<ul style="list-style-type: none"> Study required to establish benefits, cost and land use to produce effective valley parks and other public green space owned by the City Council 	2030	Relationship with DWT is key to success
	Net Zero & Business	<p>Employees unable to work due to extreme weather events</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> Outdoor workers suffering from heat stroke / heat exhaustion / hypothermia / hyperthermia Office spaces overheating Corporate property roofs leaking due to inability to cope with heavy rainfall/snowfall, making space below roof inadequate for working in Disruptions to travel from flooding, heat, heavy rainfall, snow or icy conditions resulting in staff unable to get to work <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> Essential services not being carried out Decrease in work productivity Detrimental to employee physical and mental health and wellbeing Reputational damage & risk 	06/02/2023	Net Zero Project Manager	3	2	6	<ul style="list-style-type: none"> Procuring appropriate workwear for outdoor workers Adjusting waste collection programme during extreme heat to be earlier in the day before temperatures rise Postponing waste collection programmes during red alerts for extreme high winds to ensure safety for residents and workers Providing outdoor workers with sunscreen for use in extreme heat Programme to re-roof buildings identified as vulnerable to heavy rainfall/snowfall 	2	2	4	<ul style="list-style-type: none"> Identify and monitor risks through climate vulnerability and adaptation assessments Build resilience to service disruption Educate employees on risks to physical and mental health of climate impacts 	2030	
7	Net Zero & Business	<p>Services and budgets at risk from climate related failure and global effects on the energy system</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> Power outages as result of wind, heat, ice and snow Impact of war affecting national energy supply, security and economic toll <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> Essential services not being carried out High expenditure/budget overspend/affordability 	06/02/2023	Net Zero Project Manager	3	2	6	<ul style="list-style-type: none"> Installation of solar PV across corporate estate and Council housing to reduce reliance on national grid Installation of battery storage technology at Water Lane, Matford Centre, John Lewis Car Park and Riverside allowing for smart grid use and increased energy security 	2	2	4	<ul style="list-style-type: none"> Complete survey of corporate asset renewable energy opportunities to identify and make business case / seek funding for solar PV and other renewable energy supply opportunities for the corporate estate and housing 	2030	
8	Net Zero & Business	<p>Risks to tenants and leaseholders health, wellbeing and operationality from increased exposure to extreme weather in homes and corporate buildings</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> Building regulations, strategies and planning reforms regressing, resulting in standards that Council homes are currently built at to fall backwards Lack of funding resulting in inability to retrofit existing Council homes and corporate buildings <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> Detrimental to tenants' physical and mental health and wellbeing and operational use of leased buildings 	06/02/2023	Net Zero Project Manager	3	2	6	<ul style="list-style-type: none"> All new Council housing built to Passivhaus standards, a highly energy efficient future-proofed standard that assesses future overheating Retrofit programme underway to build resilience in existing homes and leased corporate property 	2	2	4	<ul style="list-style-type: none"> Acquire further funding for retrofit and apply to all remaining housing stock and corporate property Using City Council news and social media communication platforms to notify and advise of upcoming adverse weather forecasts 	2030	

Net Zero & Business Risk Register

Ref	Service	Risk Title and Description	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
					Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score			
19		(Risk Title) Potential Causes: - Potential Impacts: -												
20		(Risk Title) Potential Causes: - Potential Impacts: -												