

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 8 March 2023

### Present:-

Councillor Wardle (Chair)

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

### Apologies

Councillors Branston and Warwick

### Also Present

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

David Johnston – External Auditor, Grant Thornton

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### **MINUTES**

The minutes of the meeting held on 30 November 2022 were taken as read, approved and signed by the Chair as correct.

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### **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

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

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

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

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

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

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

Members noted the report.

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### **INTERNAL ANNUAL AUDIT PLAN 2023/24**

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

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

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

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

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### **INTERNAL AUDIT PROGRESS REPORT**

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

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

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

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

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### **CODE OF CORPORATE GOVERNANCE 2023/24**

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

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

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

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### **MEMBERS' CODE OF CONDUCT**

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

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

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

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

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

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### **GENERAL DISPENSATIONS TO MEMBERS**

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

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

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

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

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### **AMENDMENTS TO THE CONSTITUTION - OFFICERS' CODE OF CONDUCT**

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

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

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

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

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

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

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

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### **FREEDOM OF INFORMATION AND DATA PROTECTION**

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

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

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

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

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

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

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

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

**RESOLVED** that the report be noted.

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### **ANTI-MONEY LAUNDERING POLICY**

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

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

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

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

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

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

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

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

Members also made the following comments -

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

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

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

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

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

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

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

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

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

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

Chair