

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 16 September 2020
Time: 5.30 pm
Venue: Legislation has been passed that allows Council's to conduct Committee meetings remotely.

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

During the Corona Virus outbreak, meetings will be held by virtual means. The [live stream can be viewed here](#) at the meeting start time.

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

Membership -

Councillors Wardle (Chair), Atkinson (Deputy Chair), Foggin, Hannaford, Henson, D, Mrs Henson, Lamb, Mitchell, M, Oliver, Pattison and Warwick

Agenda

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

1 **Apologies**

To receive apologies for absence from Committee Members.

2 **Minutes**

To approve and sign the minutes of the meeting held on 22 July 2020.

(Pages 3 -
8)

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 the agenda, but if it should wish to 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 items of business on the grounds that they involve the likely disclosure of exempt information as defined in the relevant paragraph(s) of Part 1 of Schedule 12A of the Act.

5 External Audit Progress Report

To consider the report of the Council's External Auditor, Grant Thornton. (Pages 9 - 24)

6 Internal Audit Progress Report

To consider the report of the Audit Managers (Pages 25 - 42)

7 Review of Corporate Governance Risk Register

To consider the report of the Chief Executive & Growth Director. (Pages 43 - 48)

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 18 November 2020 at 5.30 pm.

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

Follow us:

www.twitter.com/ExeterCouncil

www.facebook.com/ExeterCityCouncil

Individual reports on this agenda can be produced in large print on request to Democratic Services (Committees) on 01392 265111

AUDIT AND GOVERNANCE COMMITTEE **HELD AS A VIRTUAL MEETING**

Wednesday 22 July 2020

Present:-

Councillor Tony Wardle (Chair)
Councillors Atkinson, Foggin, Hannaford, Henson, D, Mrs Henson, Mitchell, M, Sheldon and Warwick

Also Present

Deputy Chief Finance Officer, Audit Manager (HK), Corporate Manager Democratic and Civic Support, Democratic Services Officer (SLS), Democratic Services Officer (MD) and Democratic Services Officer (HB)

Jackson Murray - Engagement Lead Grant Thornton

17

APOLOGIES

Apologies were received from Councillor Pattison.

18

MINUTES

The minutes of the meeting held 11 March 2020 were taken as read, approved as correct, for signing by the Chair at the earliest possible convenience, subject to the following amendments :-

- in Minute 9 External Audit Plan (third bullet point and the insertion of the word *pension*, and the second set of bullet points and first bullet point the insertion of the wording carrying out an *assessment of the actuarial*, and
- in Minute 10 clarification that the Annual Audit Letter was being presented for the *period 2018/19* and not 2019/20 as stated.

19

DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

20

EXTERNAL AUDIT PROGRESS REPORT

Jackson Murray, the Engagement Lead from Grant Thornton the Council's external auditors provided the progress report and referred to the overarching impact on the financial reporting timetable due to the COVID-19 pandemic. He sought to update Members on key matters that have arisen since the issue of the Audit Plan at the meeting of the Audit & Governance Committee in March 2020. He continued to liaise with the Section 151 Officer and other key finance and Audit staff around the production of the draft financial statement for 2019/20.

He also provided details of the audit timetable changes and subsequent work in response to COVID-19 specific issues.

- the issue of an addendum to the Audit Plan on 27 April 2020 included a reference about the significant risk relating to COVID-19. The Accounts Audit (Coronavirus) (Amendment) Regulations 2020 had provided for the draft

accounts approval by 31 August 2020 and a later publication date of 30 November for the reporting of local authority final audited accounts.

- the National Audit Office consulting on the Auditor guidance notes for the new Code of Audit practice, applicable for 2020/21 onwards, includes significant changes to value for money work. 2019/20 would be the last year under the current arrangements. They have not identified any additional risks in relation to value for money.
- work had commenced on a report of the Council's control environment, and although the work had yet to be concluded, to date there were no control weaknesses to bring to the Committee's attention.
- the deadline for a review of the housing benefit subsidy claim has been extended until the end of January 2021.
- early substantive testing during the interim audit was halted as that coincided with the initial stages of the Government imposed lockdown and Council officers were focusing on higher priority areas. Testing will still be carried out as part of the final audit. The deadlines and timetables for that audit have been extended nationally in response to these specific issues, and
- finally officers from Exeter City Council attended a financial reporting workshop in February 2020, and more recently, reflecting the change in working practices, a virtual workshop which looked at specific financial reporting issues in relation to COVID-19.

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

21

ANNUAL GOVERNANCE STATEMENT 2019/20

The Audit Manager (HK) presented the Annual Governance Statement that would accompany the Council's Statement of Accounts for 2019/20. The Council was required to prepare and publish the Annual Governance Statement by Regulation 4 of the Accounts and Audit (England) Regulations 2011. The Governance Statement is a statutory requirement which reviews the Council's performance and any significant issues that are raised throughout the year in respect of corporate governance.

Members' attention was drawn to four new significant issues arising in this year. Three of which, related to the COVID-19 pandemic and the City Council's response and actions taken to address the crisis were noted in the summary of action column. An update of the key issues will be provided quarterly to the Audit and Governance Committee throughout the final year as part of the Internal Audit Progress report.

In response to questions from a Member, the Audit Manager clarified that whilst the corporate risk register was reviewed quarterly by this Committee and was publicly available, the operational risk register was made up of risk identified in individual service plans and was not publicly available. She also confirmed that the reference to corporate complaints related to the number of individual complaints made by members of the public.

RESOLVED that the Audit and Governance Committee approve the Annual Governance Statement of Accounts for 2019/20 and be signed (at the earliest possible convenience) by the Chief Finance Officer and the Chair of the Audit and Governance Committee and be included within the Council's Annual Statement of Accounts for 2019/20; and

RECOMMENDED to Council to note and approve the Annual Governance Statement included within the Council's Annual Statement of Accounts for 2019/20.

ANNUAL INTERNAL AUDIT PROGRESS REPORT 2019/20

The Audit Manager (HK) presented the Internal Audit Annual Report for the year ending 31 March 2020. The report conformed to the Public Sector Internal Audit Standards and was timed to inform the Council's Annual Governance Statement. She drew Members' attention to key points within the report and advised on the overall opinion and assurance. The Internal Audit's overall opinion was included at paragraph 2.5 of the circulated report with confirmation that key systems were operating satisfactorily with no fundamental breakdown of control resulting in material discrepancy.

The report contained a summary of the audit reports undertaken throughout the year and the following points were highlighted:-

- work in relation to the Audit Plan for 2019/20 had been put on hold as a result of COVID-19, as Council services were required to respond to the changing situation on a daily basis so as not to place additional pressure on already stretched service areas. Any remaining work would be picked up later in the year.
- a full report on the impact of COVID-19 on the internal audit service and Annual Audit Plan would be presented at a future meeting as response and recovery work was still ongoing.
- the overall audit opinion provided a summary of the assurance provided by Internal Audit with an overall increase in percentage of limited assurance rating reports. The limited assurance rating only related to one report.
- Managers' responses to findings throughout the year was positive and there were no occasions where remedial action was not agreed by management.
- there was a 23% increase in the number of reported frauds from members of the public, and all reports were investigated either by Internal Audit or by the relevant service.
- a report on the Whistleblowing Policy was required but there were no concerns raised.
- there was an impact on the contingency planning as the Internal Audit team were required to attend a number of workshops and training sessions relating to the agile and flexible project.
- following an external inspection undertaken in January 2020, Internal Audit were confirmed as having complied with the public sector internal audit standard and judged as having the policies and process that conform to the standard.

The Audit Manager responded to a Member's question on the suggestion of some fast tracking rather than the apparent deferral of business continuity planning due to the COVID-19 pandemic. She confirmed that there had been a number of workshops involving the service leads and the Council's insurers to discuss business continuity planning, but the process had accelerated after March with all services leads responding to the task of a revising the plan. Internal Audit would carry out a review of the process later in the year.

The Audit and Governance Committee noted the Annual Audit Report for the year ended 31 March 2020.

MODEL MEMBER CODE OF CONDUCT

The Corporate Manager Democratic and Civic Support presented the report which provided detail of a draft new model code of conduct which is being presented for consultation by the Local Government Association (LGA) with comments due back to them as part of the consultation exercise by 17 August 2020.

The report included a template for Councils to adopt in whole and/or with local amendments. The additional elements contained in the new model code, particularly when compared to the existing code adopted by this Council, made clear the conduct expected of councillors, as well as showing what action could be taken if the code was found to have been breached, thereby adding to the Council's transparency agenda.. It was noted that the Monitoring Officer would be looking to retain the existing protocol where members who declared a Part 2 interest (i.e. one of a personal but not pecuniary nature) would be expected to leave a meeting if the matter was being discussed – this was noted as being an extension to the model code.

Members were encouraged to offer their comments to the City Solicitor in consultation with the Chair of this Committee as part of a collaborative response on behalf of the Council as well as there being an online tool for Members and officers to also make comments.

Members made the following comments:-

- the inclusion and enhancement of what we have at the moment was to be welcomed. The Member referred to the importance of ensuring there was a mutual respect and civility between all those connected with the organisation including Councillors, paid employees and volunteers and partner organisation. He hoped that in moving to an enhanced model of conduct that there should be more rigorous action to deal with any bullying behaviour or incidents of harassment. The Member also commented on the need to explore issues around managing and maintaining professional relationships with Elected Members who may also have a range of mental health and other complex needs. The Corporate Manager Democratic and Civic Support referred to the work behind the scenes to those Councillors who might have put the Council into that position and also in terms of investigations by the Monitoring Officer into formal complaints. The new model code of conduct raises awareness of the respect there should be for all involved in public office.
- it was important that all councillors were aware of the draft new model code of conduct and would make a submission.

The Corporate Manager Democratic and Civic Support thanked Members for their comments and confirmed that although the report and invitation to comment had been circulated to all Members as part of the Audit and Governance agenda, he would ensure that the detail was circulated again. He also responded to a Member's question and confirmed that although Members were aware there was an annual requirement for them to review and renew their declaration of interest as appropriate, when the Council decides to adopt a new code of conduct, all councillors will be expected to sign up to it at that point. The appendix circulated with the report contained a definition about Members' interest, but it was important to continue with the stance that the interest not only related to themselves but also to their spouse or anyone else who lives with them.

The Corporate Manager Democratic and Civic Support was unable to put a timeframe on this matter as the draft model code of conduct was out for consultation, he suggested as and when the finalised version of the model Code of Conduct was approved by the LGA that the Code comes back to this Committee and then Full Council for formal and final approval.

RESOLVED that the Audit and Governance Committee considered the Model Code of Conduct and commented accordingly, delegating the City Solicitor in consultation with the Chair of this Committee, to submit any comments on behalf of the Council.

24

REVIEW OF CORPORATE GOVERNANCE RISK REGISTER

The Audit Manager (HK) referred to the Audit and Governance Committee's responsibility for monitoring and reviewing the Corporate Risk Register. She presented an update of the Risk Register and advised that the responsibility for facilitating the Register had passed from Executive support to Internal Audit. She highlighted one new risk and one amendment to the risk scoring identified in the report added by the Strategic Management Board:-

- any inability to manage and respond to COVID-19, and
- any inability to maintain the financial stability of the Council. The residual risk scoring had been increased by the Chief Finance Officer from a medium to a high level, as a result of the Covid-19 situation.

In response to comments and questions from Members, the Audit Manager and the Corporate Manager Democratic and Civic Support responded in the following terms:-

- details of the housekeeping arrangements for the continuing operation of the Civic Centre and particularly if there should be a second wave of COVID-19. The Audit Manager advised that staff have been given an instruction to continue to work from home for the foreseeable future with the intent that will continue for a much longer period. The Corporate Manager Democratic and Civic Support added that a number of actions have been taken despite there being small numbers of staff in the building at any one time now, such as hand sanitisers placed at all of the access entrances and throughout the building. The Strategic Management Board had reacted to Government social distancing guidelines with the instigation of other changes such as a one way system around the floors, keeping to one side on the stairs, and a no entry on the foot bridge between the two buildings. Other work includes screens in the customer service centre to protect staff and customers. More recently there had also been the opportunity for over 100 staff to request additional pieces of IT equipment to make it more comfortable for staff to continue to work from home.
- the Strategic Management Board have commented on the additional staff costs of staff working from home, and although there was no intention to offer a reimbursement of costs such as heating or lighting, there may be opportunities for staff to reclaim some of the costs being incurred via their annual tax returns. It was noted that there were also potential savings for staff in time and money travelling into the Civic Centre as well as contributing towards the Council's green travel agenda.
- the Audit Manager would obtain a response for the question about Risk 9 about mitigation if the Greater Exeter Strategic Plan (GESP) is not approved and circulate to Members of the Committee.

The Audit and Governance Committee noted the contents of the Risk Register.

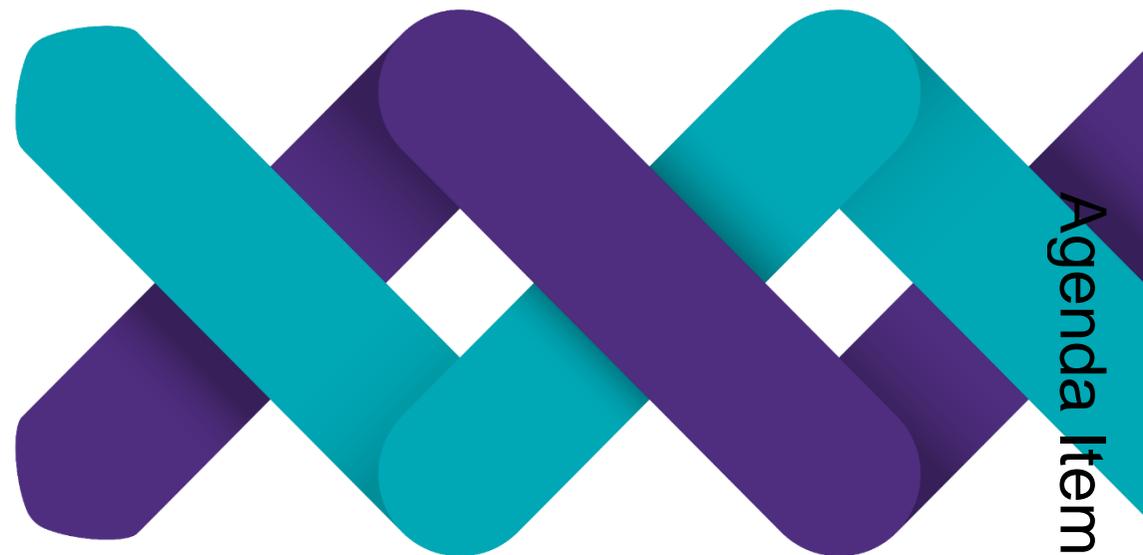
(The meeting commenced at 5.30 pm and closed at 6.20 pm)

Chair

This page is intentionally left blank

Audit Progress Report and Sector Update

Page 9
Exeter City Council
Year ending 31 March 2020
16 September 2020



Contents

Section	Page
Introduction	3
Progress at 28 August 2020	4
Audit Deliverables	7
Sector Update	8

Introduction



Jackson Murray

Engagement Lead

T: 0117 305 7859

E: Jackson.Murray@uk.gt.com



Steve Johnson

Engagement Manager

T: 07880 456 134

E: steve.p.johnson@uk.gt.com

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

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

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

Progress at 28 August 2020

Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in February 2020, and interim audit in February to March 2020. We began our work on your draft financial statements in August 2020.

In March 2020 we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts at the November 17th Audit and Governance committee, ahead of the revised 30 November target date for audit completion.

Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 11 March 2020, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response. In May 2020, we issued an addendum to our audit plan, setting out a new significant financial statement risk in relation to Covid-19.

Progress

We received the Financial statements on 31 July 2020, after the expected revised date but a month before the revised publication deadline of 31 August 2020.

We have now commenced our audit work and have begun to select testing samples.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan and we will report our work in the Audit Findings Report.

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations.

Progress at July 2020 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim is underway and we plan to be able to complete our work by the revised deadline of 31 January 2021. We will report our findings to the Audit and Governance Committee following the completion of the work.

We also certify the Council's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). We have yet to receive from MHCLG guidance for the certification work for the 2019/20 return.

Meetings

We met (virtually) with Finance Officers in August as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Your officers also attended our Covid-19 financial reporting workshop in July 2020.

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

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

COVID-19 Update

Impact on working arrangements:

Following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home.

We will be working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.

There may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of Covid-19.

Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations.
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment.
- impact on collectability of debt and assumptions made in bad debt provisions.
- impact on post-balance sheet events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- impact on reporting to those charged with governance and signing arrangements.

Changes to reporting requirements:

The Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 31 August 2020.

For principal authorities, this means that the whole chain of publication requirements will be amended. The audited financial statements are now to be published by 30 November 2020.

IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2018/19.</p>	April 2019	Complete
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019/20 financial statements and a Conclusion on the Council's Value for Money arrangements.</p> <p>We issued an addendum to our Audit Plan in May as a result of the Covid-19 pandemic.</p>	March 2020	March 2020
<p>Interim Audit Findings</p> <p>If we have any significant findings to report, we will report these to management and yourselves by means of a separate report.</p>	April 2020	No significant items requiring reporting
<p>Audit Findings Report</p> <p>We plan to report the Audit Findings Report to the November Audit and Governance Committee.</p>	November 2020	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	November 2020	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	December 2020	Not yet due

Sector Update

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

Page 16

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

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

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

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

Public Sector

Local
government

In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?

Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf>



Guide for Audit and Risk Committees on Financial Reporting and Management during Covid-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the Covid-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to Covid-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of Covid-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the Covid-19 outbreak, including on:

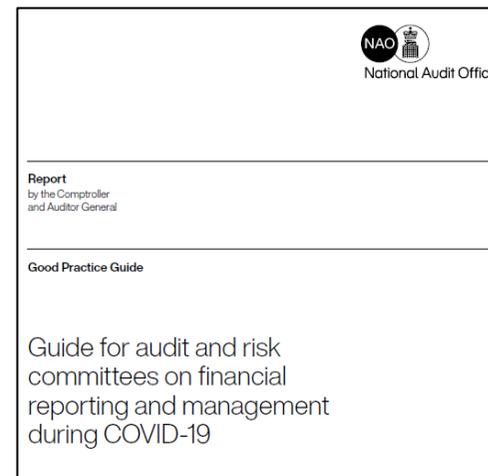
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020/21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

- **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.

- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

- **Putting key workers at the heart of the Housing strategy.** The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in Covid-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into place-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

- Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.
- In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.
- Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnessed sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

- Rather than a focus on the 'north-side divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places –and focus investment decisions on closing that gap and levelling up local economies.

- The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.
- Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.
- Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.
- The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/>



CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the Covid-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the Covid-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 16th SEPTEMBER 2020

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PROGRESS REPORT 1ST QUARTER 1ST APRIL TO 30TH JUNE 2020

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 2020, 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 2020/21 be noted.
- 2.2 That the amendments to the 20/21 Internal Audit Plan be approved.

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:

None

5. Section 151 Officer comments:

- 5.1 The work of Internal Audit has been affected by the restrictions put in place to protect the public from Covid-19. The impact has been twofold with additional work being undertaken to support and protect the Council in respect of grants awarded to businesses and reduced capacity to deliver the audit plan. Members should note the proposals to amend the plan for this year and be satisfied that the proposed changes will not unduly impact on the assurance level members require from Internal Audit. The team have worked extremely hard to deliver assurance within the Grant framework and provided significant support to the Business Rates team.
- 5.2 In respect of the report on Pinhoe Community Hub, Members should note that the decision to award the grant was taken by Full Council and not in a meeting attended by the Chief Finance Officer. Only Full Council can approve funding and that was the case in this instance.

6. What are the legal aspects?

The legal issues have been aptly covered elsewhere within this report.

7. Monitoring Officer Comments:

Internal Audit’s objectives appear to have been satisfactorily addressed.

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 2020/21 Audit Plan was approved at this Committee on 11th March 2020.

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 and Amendment to the Audit Plan

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

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

I am pleased to report that agreed actions from previous audit reports are being progressed satisfactorily and that there are no instances where remedial action was not agreed by management during this quarter.

Progress against the annual audit plan is good, however, due to the current Covid19 Pandemic we will need to make some amendments to the plan as we will not be able to complete the plan within the year. This is due to the following:

- Internal Audit assisting with a significant amount of unplanned work, for example, Government Business Grants and assisting with the inventory checks at the Leisure facilities to assist with bringing this service back in-house.
- 2 members of the audit team being re-deployed to the Exeter Community Hub for 12 hours per week for a period of 9 weeks
- One member of the audit team being furloughed for 6 weeks
- During the lock-down we were also unable to carry on with regular audit work due to the impact of the pandemic on the Council services as we did not want to add additional pressures of an audit.

As a result, we need to postpone some of the planned audits until 2021/22 and some current areas will require some additional time due to changes to the control environment with staff working from home. Details of the changes are highlighted in the progress table at Appendix A. We have consulted with the Strategic Management Board on these amendments. It should be noted that we may need to make further amendments to the plan as the year goes on, the Audit Managers will continue to closely monitor the plan.

8.2 Governance Issues

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

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

8.3 Pinhoe Community Hub Internal Audit Report

Further to a decision notice, dated 8 June 2020, from the Information Commissioners Office, Exeter City Council has been ordered to disclose the Internal Audit Report relating to Pinhoe Community Hub, in accordance with the notice. A copy of the report is attached at Appendix C.

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 Not applicable

13. Are there any other options?

13.1 Not applicable.

Helen Kelvey/Helen Putt
Audit Manager

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:

None

Contact for enquiries:
Democratic Services (Committees)
Room 2.3
01392 265115

EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

PROGRESS OF 2020/21 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	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
IT / Strata	In progress				
Main Accounting	Final	N/A	N/A	N/A	Review of narrative statement as requested by the Deputy Chief Finance Officer
Income Management	Final	Satisfactory Assurance	No previous audit	6 medium	Internal Audit were asked to review the processes involved in selling materials for recycling. Assurance was needed that all recycling loads were invoiced promptly and all data flows reconciled. Concerns had been raised that there were delays in recycling income being posted to the financial system (EFINs), making it hard for budgets to be monitored effectively and for forecasting to be undertaken. Remedial action has been agreed for all findings. The medium risk findings related to reconciliations between weighbridge tickets and invoicing, delays in raising invoices and pricing of recycled materials.
Procurement	Q3				
Creditors	In progress				It is anticipated that additional time will be required to the original plan due to additional review work required as a result of changes to the control process with staff working from home.
Treasury Management	Q4				
VAT	Follow-up				An audit of VAT was completed last year and a follow-up of responses will be completed, however, the more detailed audit planned will be postponed to 21/22 as a result of changes required to the plan from the impact of the Covid Pandemic.
Insurance	Q3				

Audit Review	Report Status	Overall Opinion	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
People Management	Q3/4				Our audit plan had allowed time to test the new self-service system, which will be completed. However, additional time will be required for Payroll testing of Furlough payments.
Members Expenses	Postpone				We propose postponing this audit to 21/22
Health & Safety	Q4				
Private Sector Landlord Services	Q3				
Better Care Fund	Draft				
Sport England	Q3				
Homecall	Q3/4				
Corporate Property Assets	Q4				
Communications – social media	Q3				
Events, Arts & Culture	Postpone				Propose postponed to 21/22
Housing Benefits	Q3				
Council Tax	Q3				
Sundry Debtors	Q4				
NDR	Postpone				Propose postponed to 21/22. As a result of the Government currently implementing 100% rate relief this audit will be postponed until 21/22. Additional time will be allowed during 21/22 to provide assurance that business rates have been correctly reinstated.
Housing – (incl. development, temp accommodation, housing needs, homelessness)	Q3/4				
Corporate Governance	In progress				
Equalities and Diversity	Q4				

Audit Review	Report Status	Overall Opinion	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
Risk Management	In progress				
Business Continuity Management	In progress				
Information Governance	Postpone				Propose postponed to 21/22
Contract Management	Q4				
Performance Management	Q3/4				
Commercialisation and project management	Q4				
Review of hospitality/disclosures	Q4				
Disabled Facilities Grants	Draft				
Unplanned Additional Audit Work 20/21 and loss of audit days					
Gov't Covid Business Grants – administration and award of grants	Complete	N/A		N/A	The Audit Managers have been assisting the business rates team in the administration, assessment and awarding of the Covid Business Grants.
Covid Business Grants – post award assurance	In progress				The Government requires post award checking of the Covid Business grants. As the Audit Managers were involved in the administration process this has been allocated to another member of the audit team to provide some independence.
Support for Leisure Contract in-house e.g. Inventory and stock checks	In progress				The Audit team have been assisting with the inventory checks at the Leisure facilities to assist with the transfer of these facilities to be run in-house following the end of the current Leisure contract with Parkwood Leisure.
Re-deployment of staff to Exeter Community Hub	Complete				Two team members were deployed to the Exeter Community Hub for 12 hours per week for the total of 9 weeks.
Furlough of staff	Complete				One member of the team was furloughed for 6 weeks (24 days lost from audit plan)

Audit reports issued during 20/21 relating to the 19/20 Year

Audit Review	Report Status	Overall Opinion	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
Contract Management	Final	Satisfactory Assurance	↔	3 Medium risks	<p>Contract management is the process that enables both parties to meet their obligations in order to deliver the objectives required from the contract. It also involves building a good working relationship between customer and provider. It continues throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to situations that arise. Effective contract management is especially important in a period where the public sector is facing increasing pressure to reduce costs and improve financial and operational performance.</p> <p>Remedial action was agreed with management for all findings.</p> <p>Findings included:</p> <ul style="list-style-type: none"> • no written contract in place, • payment processing, • no routine in-contract checks on the financial health of the contractor.
Procurement	Final	Satisfactory Assurance	↔	11 Medium risks	<p>Procurement is the process of acquiring goods, works and services from third parties. In a period where the public sector is facing increasing pressure to reduce costs and improve financial and operational performance, effective procurement processes are becoming ever more important.</p> <p>The Council is required to comply with all relevant legal requirements, including UK Public Contracts Regulations 2015, the European Union Procurement Directives and the Treaty of the Functioning of the European Union Treaty.</p> <p>The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of</p>

					<p>resources. The Council's external auditors are required to include a 'Value for Money' conclusion in their annual report.</p> <p>The Procurement and Contract Procedures were amended in September 2019. The previous Procurement and Contract Procedures were introduced in July 2018, however, it was agreed at Executive that the old regulations may, where necessary, apply until 1 June 2019, to afford the necessary time to fully transition to the new procedures. In carrying out this audit, compliance against the relevant Procedures in place at the time of each individual procurement was checked.</p> <p>Remedial action was agreed with management for all findings.</p> <p>Findings included:</p> <ul style="list-style-type: none"> • no written contract in place, • options appraisal process, • authorisation at business stage • publication of opportunities and awards • evidence of best value
--	--	--	--	--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

This page is intentionally left blank

SIGNIFICANT GOVERNANCE ISSUES PROGRESS REPORT - FROM ANNUAL GOVERNANCE STATEMENT 2019-20

AGS Issue No.	Issue identified	Responsible Officer	Summary of action proposed	Update Sept 2020	Update December 2020	Update March 2021	Notes
3 (19-20)	Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Council is facing increased cost and demand pressures at the same time as seeing a significant drop in income. Support from Central Government has mitigated some of the pressures, but the longer term impact could still be damaging to the Council's financial position.	Chief Finance Officer	~The Government have provided grants to cover expenditure pressures. ~The Government have committed to covering most of the losses from sales, fees and charges. ~The Council has taken an emergency budget to be considered on 21 July 2020, identifying ways to ensure a balanced budget.	~ Emergency Budget has been approved. ~ Government provided a small additional amount of Grant (£206k) to help towards expenditure pressures. ~ Monthly monitoring and returns to Government being maintained. ~ Extra £1m set aside to deal with additional pressures.			
4 (19-20)	Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Government has laid new regulations before Parliament to allow for virtual Council meetings to be held.	City Solicitor/ Monitoring Officer	The Council was the first to use the new regulations, holding a meeting of the Executive virtually, two days after the regulations came into force. Initial meetings were held via Skype for Business, but this has been replaced by Zoom. All meetings are streamed live via Facebook as they were previously to enable the public to view all Council business transparently. Members of the Public can also "attend" the meeting to ask questions using the normal notification procedure.	The virtual meetings are going well.			
5 (19-20)	The move to an agile and flexible working environment as part of the Organisational Development Plan will impact on the control environment in some instances, which will require a review and in some cases adaptation of existing controls.	Audit Managers	Audit Plan will be updated to prioritise those services where the new working from home environment has resulted in a change to working practices and controls.	The current plan has been reprioritised to ensure control risks relating to working from home are promptly reviewed.			
6 (19-20)	The Covid19 pandemic has created a significant increase in fraud risk. The Council has already experienced at least one instance of a fraudster attempting to change a suppliers bank details. Grant schemes always attract individuals hoping to exploit the system and with the Government Covid19 grants schemes this risk has also further increased.	Audit Managers	Internal audit are currently undertaking a risk assessment on behalf of the Council, as required by the government, to assess the level of risk the Council may be exposed to as a result of administering the Small Business, Hospitality and Leisure and the Discretionary Grants. Internal Audit will also be undertaking post award checking following guidance issued by the government.	The risks assessment relating to the business grants has been completed and the prior award checks undertaken mean the risk is assessed as low. Fraud risk in general is being continually assessed and emerging fraud risks and trends are considered.			

Page 35

No significant governance issues were identified for 2018/19, however, measures to improve Governance arrangements have been proposed and implementation of these measures should continue to be monitored as implementation has been delayed due to the Covid19 Pandemic

1 (18-19)	The Council continues to make changes to its organisational structures and ways of working as it transforms the way in which services are delivered within the financial constraints of the current economic climate. This has kept the overall risk to the internal control environment high with changes in staff responsibilities and the reduction of available resources.	Audit Manager	This will continue to be monitored as part of the internal audit plan and any issues arising will be reported to the Audit and Governance Committee.	Internal Audit continue to deliver the audit plan and any issues arising relating to this risk will be reported to the A&G Committee.			
-----------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------	------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------	--	--	--

2 (18-19)	The Council now has a fully functioning Procurement Team in place which is effectively managing Council procurements. The next phase is to ensure that contract management is an integral part of the procurement cycle to ensure that it is undertaken effectively and consistently across the Council's contracts.	Chief Finance Officer	A contract management training plan to be implemented along with contract management guidance to assist contract managers to properly manage contracts by addressing transition management, performance monitoring and by helping to ensure that both parties fulfil their commercial and contractual commitments.	Need for training understood and accepted. Service Lead - Procurement is working to create a programme.			
--------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------	--	--	--



INTERNAL AUDIT REPORT

Pinhoe Community Hub - Review of grant award process

1. Introduction and scope

On 24th April 2019, I received a request from [REDACTED] (via email from Dave Hodgson) to undertake an independent review of the grants award process in respect of a £100,000 grant that was awarded to Pinhoe Community Hub in 2016 to support the building of a new community hub in the Pinhoe ward. I subsequently met with [REDACTED] on the afternoon of 24th April 2019 to discuss her concerns. She advised me that she had asked a number of questions regarding this issue at Corporate Services Scrutiny Committee on 28th March 2019 and at Full Council in April. In both instances, she felt that she had not received an adequate response to her questions and, as a result, she had contacted the Council's external auditors Grant Thornton and Internal Audit to request an independent review.

In order to undertake this review I have met with the following officers and councillors:

- Dave Hodgson (Chief Finance Officer)
- Baan Al-Khafaji (Monitoring Officer)



2. Background

Pinhoe Community Hub is a community led initiative to develop a community hub to meet the needs of the developing and expanding community of Pinhoe and adjacent developments. Extensive public consultation was undertaken in 2015 by the Hub, which supported the initial proposal to re-develop the existing library building and a request was made to the Council for a grant of £100,000 as a contribution to support this. However, restrictions to the site meant that it could not fulfil the aspirations of the community and a second public consultation in 2017, indicated that these aspirations could best be fulfilled by relocating to a new site, Station Road Playing Fields which is currently owned by Exeter City Council.

3. Concerns raised and responses



The review has also identified some important points and concerns that the Council should address to ensure that it does not face the risk of damage to its reputation in the future (see section 4 below).

1	Request
---	---------

	<p>Please can you provide a copy of the original application for a grant of £100,000 submitted by Pinhoe Community Hub.</p>
	<p><i>Response</i></p> <p>Unfortunately, it is not possible to provide this as no formal application was submitted. From discussions that I have had with both officers and councillors, it would appear that the decision to award this grant from New Homes Bonus was the subject of a discussion between ■■■ (■■■ at that time), ■■■ at that time) and Dave Hodgson (Chief Finance Officer).</p> <p>As ■■■ and ■■■ are no longer with the Council, I am unable to confirm this with them.</p>
2	<p><i>Concern</i></p> <p>The original proposal was for re-development of the existing library site owned by Devon County Council and funding was agreed by the Council on this basis. However, the proposed site has now changed to Station Road Playing Fields which is owned by the Council. This subsequent amendment should have been subject to approval by members.</p>
	<p><i>Response</i></p> <p>In view of the fact that no formal application was submitted, it is not possible for me to confirm on what basis the monies were awarded. However, discussion with the Chief Finance Officer and reference to committee minutes (Resources Scrutiny Committee 29.06.16 where creation of an Earmarked Reserve was approved) would indicate that monies granted were not in respect of specific site, but to support the building of a new community hub in Pinhoe to incorporate a new library and community building.</p>
3	<p><i>Concern</i></p> <p>The proposed new site is next to a travellers' site. The consultation document states that 80% of residents support this change in the site, however this is not true as it is actually only 80% of those that responded to the consultation that supported this change.</p>
	<p><i>Response</i></p> <p>The nature of consultation means that only the opinion of those responding can be considered.</p>
4	<p><i>Question</i></p> <p>Where has the initial £10K of funding gone, who did it go to, when and who authorised this?</p>
	<p><i>Response</i></p> <p>The initial payment of £10,000 was paid to Pinhoe Community Hub on 27th February 2018. This payment was paid via BACS to a bank account in the name of Pinhoe Community Hub, payment was raised by Dave Hodgson (Chief Finance Officer) and authorised by Bindu Arjoon (Director). This payment was to enable the group to engage an architect to draw up proposed plans in accordance with the business plan that was submitted. The group are required to submit invoices for further drawdowns to be paid.</p>
5	<p><i>Concern</i></p>

	Management of the funds should be undertaken by the Council i.e. paid out on production of relevant invoices and not passed over to the community group as a lump sum. (If this was the case, could VAT be reclaimed?)
	<p><i>Response</i></p> <p>This funding is only a contribution to the total amount required to complete the project. As stated above, the monies have not been handed over as a lump sum, but will be drawn down as and when funds are required. VAT could not be reclaimed by the Council as the project is being undertaken by a third party, not the Council.</p>
6	<p><i>Concern</i></p> <p>██████ has not declared an interest at any meeting where Pinhoe Community Hub was discussed.</p>
	<p><i>Response</i></p> <p>The allocation from New Homes Bonus monies to an Earmarked Reserve of 'Pinhoe Community Hub' in the sum of £100,000 was approved at Resources Scrutiny Committee on 29th June 2016. An expenditure budget of £100,000 was subsequently approved by Corporate Services Scrutiny Committee on 29th September 2016. ██████ is not a member of this committee and therefore was not present at either meeting.</p>
6	<p><i>Question</i></p> <p>Station Road Playing Field is owned by Exeter City Council, who gave authority to build on this site?</p>
	<p><i>Response</i></p> <p>From my discussions with both officers and councillors I have been unable to evidence any formal approach by representatives of Pinhoe Community Hub to the Council to use the Station Road Playing Field as a potential site. The proposed plans for the site would involve demolishing the existing changing rooms and significantly enlarging the existing footprint of the building to include the play area. As no formal approach has been made, there is currently no authority to build on this site.</p> <p>Informal discussions took place between ██████ and ██████ and ██████ in 2016 when the possibility of relocating the site to Station Road Playing Fields was raised, a proposal was subsequently drafted by ██████ utilising another building on site (not the existing changing rooms).</p> <p>Pre-planning talks have also been held with the Council's planning department, but a planning application has yet to be submitted.</p>

4. Summary and recommendations

As a result of the work I have undertaken above, I have the following concerns:

4.1 The request for the grant was for a significant amount of money but was not supported by a written application which would normally be required for any other grant application. There is therefore no documentary evidence of:

- the details of the proposed project
- any grant conditions that may have been imposed
- how the money is to be spent
- the subsequent grant drawdown procedure

By not following proper procedures the Council is at risk of damage to its reputation and public criticism. The public may lose confidence in the Council

4.2 As the grant application did not go through a proper process there is no evidence:

- of who was responsible for deciding that this money should be allocated to this cause and therefore whether the decision was appropriately authorised
- that other organisations were also eligible to bid for this money

As a result, the decision to award this grant has been open to challenge and perceived as:

- not consistent with Council policies, processes and procedures,
- not transparent
- not fair

Note: In the course of my work I was made aware that a request had been made to the Council at around the same time by Estuary League of Friends (albeit for a larger amount) to undertake a similar project to redevelop the library in Topsham. In this case, a grant was not awarded but an offer of a potential loan was made to be repaid over 15 years. This offer was not taken up.

4.3 Due to the informal nature of this agreement, there was no proper procedure in place when the first request was received to drawdown from the loan. This resulted in a hurriedly improvised form that was then not completed accurately or fully, which, when subsequently provided to [REDACTED], only added to the concerns she had already raised.

4.4 Whilst a number of informal discussions have taken place between officers and councillors and, as a result of my discussions with officers, it is evident that there is generally support for this project, there is no formal authority from the Council that this site will be made available for use by sale/lease. Officers have indicated that use of the site may be restricted to the original footprint of the existing changing rooms or use of an alternative building on site, in which case, the plans that have already been commissioned (at a cost of £13,750) and submitted for pre-planning talks may end up wasted. As these plans have also been released into the public domain as part of public relations exercise carried out by the Hub in March, should the Council decide not to make the land available for use this may result in reputational damage for the Council.

4.5

[REDACTED]

4.7 Due to the historical nature of this investigation and the fact that two of the officers involved in the decision making process have now left the authority, consideration should be given as to what action needs to be taken, if any, as a result of my findings. However, in order that the Council does not open itself to challenge again in the future, I recommend, as a minimum, that the concerns raised in this report are considered as part of the current grants review.

4.8 This report will be issued to Jo Yelland as Director responsible for the grants review and Baan Al-Khafaji as the Council's Monitoring Officer.



4th June 2019

This page is intentionally left blank

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 16 September 2020

Report of: Chief Executive & Growth Director

Title: Corporate Risk Register

Is this a Key Decision?

No

Is this an Executive or council function?

Risk management is a council function.

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

1. What is the report about?

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

2. Recommendations:

- 2.1 That the committee reviews Corporate Risk Register

3. Reasons for the recommendation:

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

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

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

5. Section 151 Officer comments:

- 5.1 There are no significant changes to note from the previous report.

6. What are the legal aspects?

- 6.1 This report raises no new legal issues.

7. Monitoring Officer's comments:

- 7.1 No new risks have been identified.

8. Report details:

- 8.1 There are no new risks this quarter and no amendments.
- 8.2 The Corporate Risk Register for September 2020 can be viewed at Appendix A.

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

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

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

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

11. Equality Act 2010 (The Act)

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

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

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

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

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

11.4.1 The report does not set policy.

12. Carbon Footprint (Environmental) Implications:

12.1 Not applicable

13. Are there any other options?

13.1 Not applicable.

Chief Executive and Growth Director

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

Background papers used in compiling this report:-

Contact for enquires: Democratic Services (Committees)01392 265275

Corporate Risk Register

											Review Month:		Sept 2020	
Ref	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	
				L'hood	Impact	Risk Score		L'hood	Impact	Risk Score				
1	<p>Failure to deliver anticipated benefits of major projects (St Sidwell's Point and Bus & Coach Station)</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Failure to procure appropriate operator for leisure centre - Adverse weather / other delays typical of such projects <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Increased costs to Council from project overspends or overruns - Not realising financial and cultural benefits anticipated from project delivery - Damage to Council's reputation and reduced credibility to deliver major projects in future 	October 2017	Jo Yelland - Director	3	3	9	<ul style="list-style-type: none"> - Recruited experienced Project Manager, Quantity Surveyor and delivery team - Established high level Programme Board to oversee progress and delivery - Contractor appointed to build the facility, following a 2 stage collaborative approach in procurement. - Fixed price Design & Build Contract, with a limited amount of Provisional Sums. 	2	3	6	<ul style="list-style-type: none"> - Ongoing reporting of progress and potential issues to Client lead. - Technical Assurance & Audit team being procured to monitor compliance with the Contract, review ongoing performance and positively challenge the build team to help promote the identification and resolution of potential issues / problems. 	Ongoing October 2020	<p>June 2020: Covid 19 has impacted on the developments. Work has continued throughout the lockdown but social distancing and supply chain issues have impacted on the critical path and are likely to have increased costs. Both projects will complete in 2021 but there may be an extension to the planned completion date</p> <p>Sept 2020: No further updates</p>	
2	<p>Counter Terrorism and Community Cohesion & Safety</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Brexit and the continued political uncertainty and growing divides in the country has increased likelihood of radicalisation and violent extremism across the UK. Whilst the risk level in Devon and Exeter in traditionally low, like all other areas in the country our own local risk level has heightened particularly in relation of extreme right –wing activism. <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Community unrest and extreme anti-social behaviour incidents commence and escalate leading to public unrest 	June 2019	Jo Yelland - Director	3	4	12	<ul style="list-style-type: none"> - Active leadership within the Exeter Community Safety Partnership at Executive and Senior Manager level - Director participation in Counter Terrorism Briefings - SMB informal relationships with key Community Leaders 	2	4	8	<ul style="list-style-type: none"> - Adoption of Safer Devon Prevent Toolkit and associated of staff training 	Jun-20	<p>June 2020: There is no increase in risks from counter terrorism. COVID19 has seen an increase in low level ASB complaints and recent protests (e.g. BLM) have seen an increase in public gatherings but locally these have been peaceful and well run. The Exeter Community Safety Partnership continues to work together on joined up and Proactive responses.</p> <p>Sept 2020: No further updates</p>	
3	<p>Delivery of Sport England Local Delivery Pilot Outcomes</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Not demonstrating year 1 outcomes (such as improving street scenes, increasing number of residents using cycling and walking routes, active school clubs etc.) - Not having appropriate programme management and focus on delivery - Council or main strategic partners restricted by existing policies (H&S etc.) or lack of appetite for certain outcomes - Not achieving alignment with key partners (Devon CC, Exeter City Future, CCG etc.) - Program delivery dependent upon key individuals (Jo, James, Karime) - Relative inexperience of Council of delivering such programs <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Significant reputational damage due to due to national and regional interest in success of program which could damage Exeter CC's status and credibility and undermine future grant / funding opportunities - Gap in health inequalities doesn't get addressed - leading to increased demands on council, and wider public sector, services. 	June 2019	Jo Yelland - Director	3	4	12	<ul style="list-style-type: none"> - A Commissioning Model has been adopted for programme delivery with local partners such as Active Devon leading on the implementation of key programmes which integrates into the local system and also promotes sustainability. - Annual outcomes clearly articulated within the programme plan. - Preparations made for 6 monthly assessments with Sport England including external evaluation partner secured to undertake bi-annual process evaluations. - Regular governance reviews to be undertaken to ensure continued engagement and buy-in from critical partners. - Communication strategy covering all stakeholders (especially local communities) being commissioned. 	3	3	9	<ul style="list-style-type: none"> - Pro-active 6 monthly assessments with Sport England - Review of governance and in particular strengthening the role of the Executive Group - Communication strategy covering all stakeholders (especially local communities) being developed 	Oct 2019 Dec 2019	<p>June 2020: The Local Delivery Pilot Team, with support from Sport England have been at the forefront of designing and delivering the Exeter Community Wellbeing Hub: the city wide community response to the pandemic. Insights and new community networks developed have been used to create a revised Transitional Program for the next 6 -12 months and a further bid to Sport England to extend the core funding until 2025 has been submitted. The Governance of the LDP has been reviewed and will now sit under the Liveable Exeter Place Board to ensure integration and co-ordination within the place-shaping agenda</p> <p>Sep 2020: No further updates</p>	

Corporate Risk Register

										Review Month:	Sep 2020		
Ref	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
				L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
4	<p>Lack of proactive and preventative investment and maintenance of assets</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Historic budget savings led to under inspection of assets, increased inspections now identifying issues - Asset Maintenance resources removed as budget savings to prevent front line service cuts - Not following asset management best practice by cutting back on routine preventative maintenance and only dealing with the most urgent maintenance cases. <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Deterioration of assets to unsafe levels leading to closure - Under utilisation (lost income) of both car parks and sports centres - Increased costs in long run (potential need to demolish certain assets) rather than refurbish / redevelop - Current approach is not efficient value for money in long term - Reducing attractiveness of city centre to commerce and tourism 	June 2019	Dave Bartram - Director	4	3	12	#####	3	3	9	<ul style="list-style-type: none"> - Business case being drawn up to articulate challenges. - Development of Asset Management Strategy including funded asset program of inspection and divesting assets that aren't needed. 	Ongoing	<p>June 2020: Inspections of assets have been delayed by the Coronavirus outbreak. The higher risk assets identified so far were presented with a funding request to the 02 June Executive committee and will go to the 21 July Council for final approval. As lockdown restrictions ease, inspection work is restarting with a more comprehensive asset investment plan expected in August.</p> <p>Sep 2020: The report is yet to be completed.</p>
Page 46	<p>Information Governance failure (including Council experiencing a cyber-attack)</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Lack of appropriate policies and processes - Staff awareness and understanding of requirements and best practice for managing data effectively - Inadequate cyber defences <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Disruption to IT systems could result in inability to deliver key services - Sensitive personal, corporate or financial information could be accessed/released unlawfully - Council may not be permitted to access the PSN secure connection - Non-compliance with the General Data Protection Act (GDPR) potentially leading to significant fines 	April 2017	Karime Hassan - Chief Executive	3	4	12	<ul style="list-style-type: none"> - Information Security Policy and Information Security Forum in place - Training for existing staff complete and schedule for new staff in place - Disaster recovery and business continuity policies in place - Regular staff reminders on this issue - Comprehensive IT service from STRATA (company owned by three local authorities) including range of mitigations (firewalls, penetration testing, email and web filtering, antivirus software etc.) - Regular, timely software updating to mitigate new vulnerabilities. 	2	3	6	<ul style="list-style-type: none"> - Consider lessons learnt from Council incidents - Review compliance with automated updates - Review use of third party data storage and security arrangements. - Consider optimal frequency and method for providing assurance to SMB (potential inclusion of monthly STRATA report) - Reconvene Information Governance Group to maintain corporate oversight of information governance issues. 	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>October 2020</p> <p>October 2020</p>	<p>June 2020: Staff reminded of their Information Governance responsibilities and guidance on how to keep information secure when working from home has been published on the intranet.</p> <p>Work still progressing on providing assurance to SMB.</p> <p>Sep 2020:</p>
6	<p>Insufficient business continuity arrangements to recover critical services effectively</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Critical services not identified - Insufficient plans in place to recover critical services - Lack of testing of plans to ensure arrangements suitable <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Essential services not recovered in timely fashion - Adverse media and public criticism leading to lack of trust in council - Non compliance with Civil Contingency Plan 	April 2013	Karime Hassan - Chief Executive	3	4	12	<ul style="list-style-type: none"> - List of critical services agreed with SMB - Corporate Business Continuity Plan approved by SMB which sets out roles and responses to certain events (loss of building, loss of ICT etc.) - IT Disaster Recovery Plan in place - Business Continuity plans developed for all L10Critical services - Business Continuity Test Exercise to be carried out 	2	3	6	<ul style="list-style-type: none"> - Regularly review business continuity plans to ensure they are fit for purpose - Internal Audit to undertake review of Business Continuity Management 	<p>Ongoing</p> <p>Sept 2020</p>	<p>June 2020: All services have produced business continuity plans and these are reviewed regularly by the Strategic Management Board as part of the Council's response to the COVID-19 emergency.</p> <p>Test exercise planned for June was negated due to occurrence of emergency event.</p> <p>Sep 2020:</p>
7	<p>Lack of leadership capacity to effectively deliver additional Council objectives and priorities</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Significant draw on management resources following unanticipated new commitments or changes in political expectations - Medium Term Financial Plan will be under strain because of national decisions on New Homes Bonus and re-setting business rates <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Higher likelihood of potential governance and performance failures due to stretched resources - Limited capacity for leading and delivering change activity impacting upon achievement of councils strategic priorities - Staff morale and burnout if over prolonged period 	June 2019	Karime Hassan - Chief Executive	4	4	16	<ul style="list-style-type: none"> - Experienced and resilient senior management team - Sufficient resourcing in place to deliver existing commitments and corporate plan. - Organisational culture with values set up to deliver - Succession planning / effective deputies - Strong record of bringing in funding to support new initiatives / agenda and additional agenda. - Director appointed for Liveable Exeter housing programme - Place Board give visibility to broader programme and access to national funding routes 	3	4	12	<ul style="list-style-type: none"> - Support development of political discipline regarding understanding of challenges when embarking on new initiatives and recognition of resourcing levels within the Council. - Encourage more robust peer challenge amongst Members - Review method of celebrating achievements of council - Consider leadership development of tier 3/4 managers to develop strategic capability 	TBC	<p>No further update this quarter.</p> <p>Sep 2020:</p>

Corporate Risk Register

Review Month: June 2020													
Ref	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
				L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
8	<p>Inability to deliver carbon neutral aspirations for Exeter by 2030</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Financial pressure and economics of carbon reduction - Behavioural challenges over influencing businesses and public - Technical capability to deliver - Lack of control over all stakeholders (businesses, visitors etc.) - Political environment and acceptance of policy changes required - Misalignment with Devon Climate Plan - Failure to engage with resident and business of Exeter to ensure solutions proposed meet real need <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Reputational - Failure to deliver inclusive growth and retain vibrancy of Exeter as a great place to live - Conflict within Region - Short term changes may not be sustainable 	08.11.19	Karime Hassan - Chief Executive	4	3	12	<ul style="list-style-type: none"> - Strategic partnerships - Appointment of programme director for Exeter City Futures to form collaborative city governance focused on carbon neutral - 12 Goals defined for the city to provide framework for carbon neutral. Goals reflect priorities of business and residents - Plans in place to develop roadmap for carbon neutral 2030 - Other major public sector organisations have already committed to becoming carbon neutral (e.g. University of Exeter, Devon County Council) 	3	3	9	<ul style="list-style-type: none"> - Continue to invest in supporting ECF as a partner organisation to ensure that the ambition to be net-zero is continually communicated and residents and businesses are engaged, ensuring all voices are heard and the solution being developed are benefitting the residents and business. - Improve national communication positioning Exeter as a leading sustainable City highlighting what we are doing - through ECF and Livable Exeter activities - Ensure clear alignment with DERG and national climate action plans to ensure Exeter's plan is incorporated 	Apr-20	No further update this quarter. Sep 2020:
9	<p>Failure to meet Exeter's Housing supply needs as a planning authority and meet strategic 5 years ambitions</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Inadequate Land supply - Not granted enough planning permissions - Student development cannot be included in housing supply figures - House builders drip feeding - Political / community buy in to developments - GESP and/or Exeter Development Delivery DPD not progressing as quickly as possible. Political changes at neighbouring boroughs leaving an unclear position <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Financial risks with increased appeals, and potentially lost income - Social outcomes - inequality, rising social service costs - significant waiting list - Reputational impact if development on not appropriate location - Risk of losing planning appeals on sites where there are objections in principle. - Vulnerable to developers - not able to protect areas that are identified as residents priorities 	June 2013	Bindu Arjoon - Director	4	3	12	<ul style="list-style-type: none"> - Brownfield opportunities identified and developed into the Liveable Exeter strategy. - Higher density developments being encouraged within the city centre. - Social Housing being developed following the lifting of borrowing cap- ambition for 500 homes over 10 years' - Appropriately briefing members to ensure robust decision making processes 	3	2	6	<ul style="list-style-type: none"> - Greater Exeter Strategic Plan being developed. Subject to approval by the relevant Committees of the four Greater Exeter local authorities, the GESP will be publically consulted on during September-November 2020. Further rounds of consultation will follow. Adoption of the GESP is currently timetabled for 2023. - Local plan for Exeter CC also being developed as plan B. Scoping underway. - Selling positive image of high quality high density brownfield developments - continuing consultations. Future Place commission has developed an urban design toolkit to support higher density developments. 	Ongoing	<p>June 2020: Staff resources are being sought for both GESP and the Local Plan to allow both to progress and work on the evidence base to support the Exeter Local Plan is also being sought. Formation of a Local Plan team will also allow for other statutory duties to be undertaken such as annual monitoring of the housing land supply as if the land supply falls below 5 years decisions need to be taken based on national policy only leaving the Council with less control. A proactive approach to housing delivery is being taken through the Liveable Exeter programme and Exeter City Living.</p> <p>Sept 2020: No further updates at this time</p>
10	<p>Failure to adapt council workforce to ensure appropriate skills and experience</p> <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	Baan Al-Khafaji	3	3	9	<ul style="list-style-type: none"> - Market supplement scheme in place - Apprenticeship opportunities for new and existing staff - Employing part qualified staff and training them (internal and external) - Procurement, planning etc. - Improvements in metric tracking (age, gender, skills profiles) - Business Partnering model allowing for greater collaboration between service areas and HR. 	2	3	6	<ul style="list-style-type: none"> - Effective use of metrics utilising new system (within 12 months) - Ensure robust implementation of new workforce planning process (local mgmt team led) - Utilising agile program to compliment modernisation of work environment - Review of progress against GDR. 	TBC	No further update this quarter. Sept 2020: No further updates at this time

Corporate Risk Register

										Review Month:			Sept 2020	
Ref	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	
				L'hood	Impact	Risk Score		L'hood	Impact	Risk Score				
11	<p>Maintaining the Financial Sustainability of the Council</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Fair funding review from central government involving re-baselining of business rates (income loss of £1.8m per annum) and determination of a new formula which could have funding implications. - Inability to deliver £2.4m savings target over two year period - Move to 75% business rate retention rather than government grant increases volatility of income and dependence upon growing local economy and business rates. - Inability to grow Exeter city centre and associated business rates etc. - Policy, regulatory or legislative changes which are not fully funded from central govt. - Failure to realise commercial ambitions of council <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - unable to balance budget - reduced income for council services - larger than anticipated cuts (in year or over longer term) - reduction in reserves - impacts on council services and therefore resident outcomes 	January 2018	Dave Hodgson Chief Finance Officer	4	4	16	<ul style="list-style-type: none"> - Detailed MTFP assessed and agreed with Members - 5 point savings plan agreed and being implemented with suitable governance arrangements in place. - Budget report in new year and recommendations to members briefing in December 2019. - 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 - New Business Development manager appointed to identify and grow commercial opportunities - Strong level of un-ring-fenced general fund reserves to protect against shocks 	3	4	12	<ul style="list-style-type: none"> - Continue to respond to consultations making case for council - Lobby government for relaxation of council tax increase restrictions - Further development of role and scope of business development manager position 	Dec-20	<p>June 2020: The level of risk has increased as a result of Covid-19. The current medium Term Financial Plan requires £5.8 million Reductions to balance as a result of projections based on lower business rates receipts and increased costs.</p> <p>Sept 2020: a detailed programme of work is planned to begin in September.</p>	
12	<p>Inability to deliver carbon neutral operations for Exeter City Council by 2022</p> <p>The Council have committed to make their own operations carbon neutral ahead of 2030 in order to lead the City by example. There is a risk that this is not achieved.</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Failure to establish a clear target and trajectory to reduce carbon impact from Council operations - Failure to communicate and engage with staff at all levels to understand the changes required and to identify solutions - Inability to establish baseline and indicators that can measure progress - Unclear ownership of cross-directorship activity and failure to identify/deliver efficient action - Conflicts between carbon reduction and other strategic priorities e.g. cost savings - Failure to balance need for immediate practical action with need for analysis of baseline - Failure to understand the scale of resources (human and financial) required to deliver change - Financial pressures mean resources are not available <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Reputational - Carbon reduction targets will become harder as we approach 2030 which mean the financial investment will increase - Central government may mandate changes that are costly to implement and don't meet local needs 	08.11.19	Karime Hassan Chief Executive	4	3	12	<p>Full Council have agreed to make operations of Exeter City Council carbon neutral</p> <p>Corporate Energy team has already delivered impactful projects linked to energy reduction and renewal energy generation.</p> <p>Passive Haus projects demonstrating commitment to energy efficient council housing stock.</p>	2	3	6	<ul style="list-style-type: none"> - Develop cross-directorship sustainability plan that includes: 1.energy (reduction and generation); 2. mobility (Council fleet and staff travel); 3.Sustianability (air quality, biodiversity, resource management); 4. capability (skills, data, operational processes) - Appointment of Director/Senior Officer to assess cross-directorship sustainability performance and identify areas for improvement as well as tracking and reporting progress on carbon performance - Undertake full review of internal policies and processes that are in conflict with carbon neutral aspirations and highlight opportunities for change - Improve communications of Council activities to make own operations carbon neutral and showcase as exemplar to other organisations 	Apr-20	<p>No further update this quarter.</p> <p>Sept 2020:</p>	
13	<p>Inability to manage and respond to COVID-19 pandemic</p> <p><u>Potential Causes:</u></p> <p>Due to a loss of income from business rates, commercial rents and car parking charges, the council is unable to put measures in place to manage and support its staff and stakeholders during and after the pandemic</p> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Loss of staff due to illness - Loss of income for the council - Closure of Civic Centre - Negative impact on economy for Exeter and wider region - Unable to support Exeter Community Wellbeing - Adverse impact on service delivery 	March 2020	CX	4	4	16	<ul style="list-style-type: none"> - All office based staff are working agile and flexibly and can work from home - All services have business continuity plans in place which are reviewed regularly - Sickness levels regularly reviewed - Regular SMB meetings to review and manage the council's response - Exeter Wellbeing Hub established - Wellbeing guidance for staff and managers published on intranet - Further digitalisation of services - Exeter Recovery Plan has been prepared - Emergency budget has been prepared 	4	3	12	<ul style="list-style-type: none"> -Finalise and approve the Exeter Recovery Plan -Work with partners to deliver the Exeter Recovery Plan -Executive to agree the Emergency Budget -Continue to communicate with staff and provide additional wellbeing support as needed 	TBC Ongoing July 20 Ongoing	<p>New Risk.</p> <p>June 2020: No further updates</p>	