

## **AUDIT AND GOVERNANCE COMMITTEE**

Date: Wednesday 9 March 2022  
Time: 5.30 pm  
Venue: The Guildhall, Exeter

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

Due to the current social distancing restrictions brought about by the Corona Virus outbreak, any members of the public wishing to attend the meeting please contact the Democratic Services Team [committee.services@exeter.gov.uk](mailto:committee.services@exeter.gov.uk) in advance as there is limited capacity for public attendance. 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), Begley, Hannaford, Jobson, Mitchell, M, Martin, A, Moore, D, Pearce, Quance, Sparkes 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 1 December 2021.

(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 this agenda, but if it should wish to do so, then the following resolution should be passed:

**"RESOLVED** that, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the particular item(s) of business

on the grounds that it (they) involve the likely disclosure of exempt information as defined in the relevant paragraph(s) of Part 1, of Schedule 12A of the Act."

- |          |   |                     |
|----------|---|---------------------|
| <b>5</b> | <b>Audit Findings Report 2020/21</b><br>To consider the report of the External Auditors (Grant Thornton)                | (Pages 9 -<br>52)   |
| <b>6</b> | <b>Internal Annual Audit Plan 2022/23</b><br>To consider the report of the Audit Managers.                              | (Pages 53<br>- 72)  |
| <b>7</b> | <b>Internal Audit Progress Report</b><br>To consider the report of the Audit Managers.                                  | (Pages 73<br>- 84)  |
| <b>8</b> | <b>Code of Corporate Governance 2022/23</b><br>To consider the report of the Director of Finance.                       | (Pages 85<br>- 92)  |
| <b>9</b> | <b>Review of Corporate Governance Risk Register</b><br>To consider the report of the Chief Executive & Growth Director. | (Pages 93<br>- 104) |

#### **Date of Next Meeting**

The next **Audit and Governance Committee** will be held on Wednesday 27 July 2022 at 5.30 pm

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

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## AUDIT AND GOVERNANCE COMMITTEE

Wednesday 1 December 2021

### Present:-

Councillor Atkinson (Chair for the meeting)  
Councillors Begley, Hannaford, Mitchell, M, Moore, D, Pearce, Sparkes and Warwick

### Apologies:-

Councillors Jobson, Martin, Quance and Wardle

### Also Present:-

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

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### CHAIR

In the absence of the Chair, the meeting was chaired by the Deputy Chair, Councillor Atkinson.

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### MINUTES

The minutes of the meeting held on 10 November 2021 were taken as read, approved and signed by the Chair as correct.

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### DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

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### EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Director Finance presented an update from Grant Thornton on their activities since the last meeting of the Audit and Governance Committee in November, and an indication of when the Audit would be completed. The Engagement Lead and Senior Manager were unable to attend the meeting due to concerns relating to Covid. The following matters were reported:-

- the external valuer expert, supporting Grant Thornton with their valuations work was reviewing the responses from the Council's internal valuer;
- there was an outstanding query with the Council's actuary regarding significant movements in experience.
- an independence issue was being considered by the National Audit Office (NAO) in respect of the group audit for Exeter City Living (ECL). The Audit Findings report included a reference to additional unrelated work that had been undertaken by ECL's External Auditor. Members would be updated on the outcome once clarification was obtained. It was noted that a dedicated accountant had been appointed to oversee the accounts of ECL.
- a view on the treatment of the Minimum Revenue provision (MRP) on the Council's statutory repayment of debt in respect of capital loans made to third parties had been made. Grant Thornton's view differed to the Council, and would be reported in the Audit Findings report. Loans made by the Council to a number of third parties, included Exeter City Living, Exeter Science Park and also local collaborator of partnerships, CoLab. An assessment had been made on the associated risks, as it was not the intention to offer any loan where there was no chance of recovery, and a suggested over provision for the same debt was not prudent or in the best

interest of the tax payer. This matter would be raised with the Department for Levelling Up, Housing and Communities (DLUHC).

The Director Finance stated that Grant Thornton had indicated that they expected to conclude the Audit by 10 December. He would keep Members informed with regard to the Audit Findings report, but an unqualified audit opinion was still anticipated.

In response to Members' questions, the Director Finance explained:-

- the independence issue raised was in relation to formal sense checking on the Business Plan last year. ECL's own auditor had taken on this additional work in excess of the tendered External Audit, so it was an issue with that rather than an issue with ECL or their accounts, which are included in the City Council's accounts. Grant Thornton had indicated that they may not be able to place reliance on that work and would likely have to do some targeted testing and may make an additional charge as part of their fee.
- work on the financial statements was ongoing and should have been completed at the end of September. There was now a new target date of 6 December. The value for money work was due to be finished by the end of December and should be reported at the next meeting.

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

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### **INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager (HK) presented the report, and appendices which detailed the internal audit work carried out during the second quarter of the year for the period 1 July to 30 September 2021. All of the agreed actions from previous audit reports were progressing satisfactory and there were no instances where remedial action had not been agreed by management. Despite making some additional provision in the 2021/22 Audit Plan, a significant amount of Covid 19 related work in respect of the post award assurance work on the business grants made had been undertaken, and a request was made to defer the main accounting systems and the Arts, Events and Culture audits until next year. The implementation of new modules to the main accounting system had been delayed and no events had been held to date and deferral of these audits would not have any significant impact.

In response to Members' questions, the Audit Manager had agreed that a review of the anticipated guidance from the professional body in relation to Council owned private companies, when received would be reported back to this Committee.

A Member thanked the Audit Manager for forwarding a copy of the Annual Housing Repairs and Void Works audit report and for a discussion on where audit overlaps with performance. She considered it was important to examine how that contract was working to ensure the nature, and quality of the performance as well as any issues of staff capacity could be addressed. The Audit Manager reported that she had clarified the role of Internal Audit with the Member as one of compliance and assurance that the Council's policies, procedures and any relevant legislation were being followed as opposed to monitoring performance. The Chair also noted the area of work and welcomed the audit report. Following a Member's comment, the Audit Manager agreed to circulate a copy of the report to all Members of the Committee.

The Director Finance reminded Members of the opportunity for advance questions to be submitted, as this enabled an appropriate response to be sought from

colleagues, most notably in relation to the Risk Register because of the wide scope of the subject matter.

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

- the Arts, Events and Culture audit would cover events and any audit of RAMM would be separate. Other strategic work would be covered by the Strategic Management Board (SMB), as Internal Audit had no strategic or performance management role.
- the Anti-Racism Strategy was being developed by a working group chaired by the Portfolio Holder for Communities & Culture, Councillor Ghusain and included Councillor Allcock, as well as the Director (DB), the Community Safety, Safeguarding and Equality & Diversity Officer, and other officers as well as two members of the Council's Equality Champions Group. The working group was due to meet on 6 December, when a report from Devon County Council would be presented. This work was separate to that of the Equalities and Diversity Strategy.
- Strata have implemented a new income management system, in part to allow the continuation of card payments to the City Council. The audit had been delayed as the appropriate testing had not been able to be completed due to an external supply issue.

The Audit and Governance Committee noted the Internal Audit report for the second quarter of 2021.

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#### **DECISION TO OPT INTO NATIONAL EXTERNAL AUDIT TENDER**

The Director Finance presented a report which sought Member's support for a recommendation that the Council opt into the national scheme for auditor appointments from April 2023, using Public Sector Auditor Appointments Limited (PSAA). They were in part, set up to address the challenges of local authorities from drawing from the same pool of external auditors to carry out their audit. Exeter City Council had opted to join the PSAA scheme in 2017, but it had not been a completely satisfactory contract, particularly as the current audit was once again delayed. The challenge remained that there were very few firms in the public sector audit market place, and no local firms able to undertake this work. He had approached PSAA to set out some of his concerns, and they agreed to discuss some of the issues. He understood that a National Board to identify ways to address some of the issues was being implemented.

In response to Members' questions, the Director Finance explained:-

- there were no large Audit firms based in the city, with Bristol based firms being the closet hub. Cornwall County Council had opted out of the PSAA national scheme, but found that Grant Thornton were awarded the tender and would have been the same company as had they used the Scheme.
- many of the public sector audit firms had an issue with retention of staff, as this area of audit presented a continual challenge.
- there was no appetite from other local authorities to join together to offer a tender, but there were with implications for each of the Councils, with an independent Audit Panel having to be set up alongside their Audit and Governance Committees to oversee the whole process.
- only Grant Thornton offered the public finance professional qualification of the Chartered Institute of Public Finance Accountancy (CIPFA) and the public sector specialism was not as transferable. Many entrants into audit

wished to pursue the Institute of Chartered Accountants (ACA) route which offered greater employment opportunities. PSAA have signed more firms to undertake local authority audits which offered some future reassurance.

- the concern of the lack of External Auditors who offered a robust challenge was noted, but the Redmond Review had made a number of recommendations to Government, including the setting up of an independent regulator.

**RECOMMENDED** that Council approve that Exeter City Council opts into the national scheme for auditor appointments from April 2023, using Public Sector Audit Appointments Limited (PSAA).

75 **EXTENSION OF THE APPOINTMENT OF THE COUNCIL'S TWO INDEPENDENT PERSONS**

The report of the Director Corporate Services was presented which sought Members' consideration for the extension of the current term of office of the Council's Independent Persons, Professor Brian Kirby and Mr Ian Brooking. This would enable compliance with the principles set out in the Regulatory Framework of the Audit and Governance Committee and the provisions of Section 28(7) of the 2011 Localism Act 2011. Members were advised that there was a continuing obligation for the appointment of at least one 'Independent Person' whose views could be sought in the event of an investigation pertaining to the Members' Code of Conduct.

The Chair commented on the appointments and was advised that that there had only been male applicants for the post in more recent times.

In response to a Member's questions, the Director Corporate Services explained that the appointment for the Independent Persons was for four years, with no prescribed maximum term. She welcomed the comment on there being adequate succession planning to ensure there was always an experienced Independent Person. There had been little uptake when the positions became available, but the calibre of the Council's current Independent Persons was excellent. Both Professor Kirby and Mr Brooking had received the appropriate training over the years and were in regular contact to assist.

**RECOMMENDED** that Council approve that the term of office for Professor Brian Kirby and Mr Ian Brooking as the Council's Independent Persons, be extended for a further period of four years until the Meeting of Council on 24 February 2026, pursuant to Section 28(7) of the Localism Act 2011.

76 **REVIEW OF CORPORATE GOVERNANCE RISK REGISTER**

The Audit Manager (HK) presented the report and referred to the coordinating role in drawing the updated Corporate Risk Register together, to present to the Audit and Governance Committee. Following the quarterly review by the Strategic Management Board, (SMB) a proposed update on each risk was included in the appendix to the report. A new risk relating to the Exeter Liveable Programme had been added.

A Member asked if more consistent language could be used throughout the Risk Register in relation to the references to carbon neutral and Net Zero, which were different. The Audit Manager had spoken to the relevant Director and he agreed that the consistent phrasing of Carbon Net Zero would be used in all such future communication.

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

- Risk 1 - the Member's comment in relation to the header for the risk relating to St Sidwells Point (SSP) and the Bus & Coach Station would be passed to the relevant Director to ensure the information was updated.
- the financial benefits would be measurable once SSP was open and operating.
- the Risk Register was not an audit, although the Internal Audit Managers oversee the compilation of the Schedule, which feeds into the risk assessment, which underpins the Audit Plan.
- the Director Corporate Services stated that the contractor for SSP were paid when payments were required, with an assimilation of the accounts at the end of the contract when requested. The contractor would then identify any additional works requested by the Council and invoice accordingly. Legal discussions had centred around Covid related delays.
- Risk 3 - Exeter City Futures are a Community Interest Company, and it was not unusual for companies of that nature, delivering a purpose, and relying on external funding rather than an emphasis on profit had weaker accounts. This is an organisation that has been built up with some of the largest public sector organisations in the city and it presented an opportunity to work together to deliver one of the Council's highest objectives.
- Risk 4 - the Five year housing land supply position has improved from that set out in the 'Existing Mitigations and Controls' column of the Risk Register. The Council's latest Five Year Housing Supply Statement (dated September 2021 and referred to in the 'Notes' column of the Risk Register) concludes that the Council is currently able to demonstrate a housing supply of five years and five months. The Corporate Risk Register will be updated to reflect this position. In order to help maintain this healthy supply, it is important that the mitigations and controls set out in the Risk Register continue to be pursued. The Notes column highlights that developers are challenging the latest Five Year Supply position via appeals.
- Risk 8 - the Corporate Risk Register highlights significant risks to Members, in terms of either financial loss or reputational damage. The Government have awarded funding via Exeter City Council to Exeter City Futures to develop an Exeter City Fund proposal. This is currently not identified as a corporate risk and the City Fund proposal would be reported to Executive, with a business case made.

The Director Finance presented the following comments from the Chief Executive & Growth Director which were reported to the meeting in response to a Member's question on the transparency and accountability of the Exeter Liveable Place Board which was as follows: -

The Liveable Exeter Place Board was established in order to provide additional confidence on delivery of the programme, the Board does not replace the formal decision making processes. The Place Board sits outside the formal planning process. The City Council is the planning authority and decisions are taken through the planning process in public. The Place Board allows candid conversations between the city's institutions on matters associated with delivery of the programme. The key test for the programme is can it be delivered, this relates to viability and a raft of issues because it is a brownfield regeneration programme with challenging abnormal and infrastructure costs. Having all the key institutions around a table to take collective responsibility for working with the Council to assist delivery of the Council's housing programme, is a major advantage in convincing a local plan inspector, that the city's organisations are working together on meaningful

action to co-ordinate their investment plans to support the delivery of the overall programme. Open and frank conversations between the leaders of these organisations is important to help address barriers to delivery. The Board does not bind individual organisations, it is a Steering Board and not a decision making Board. In providing infrastructure in a timely fashion asset plans for infrastructure providers will need to be informed by regular dialogue and engendering confidence in our partners will be important. Having a Board that brings key organisations together is valuable, likewise having the most senior people around the table is a big advantage. An understanding of what it takes to get these leaders in the room and for them to spend significant time invested in the wider city agenda has shaped the way the Board has been put together.

The Director Finance made further clarifications on the following matters raised by a Member:-

- in respect of the proposed Exeter City Fund, it would be work that was being funded by Central Government to develop a concept of working together with others to develop housing at scale on Exeter's brownfield sites. There might be ambition to do work around some Council owned sites, but there was no commitment that this would be delivered through this proposed development fund and would require Council approval in any case.
- in response to the due diligence of Exeter City Futures and the possibility that the City Council could continue to be liable for any further losses, it was important to remember that Exeter City Council was one of seven constituent members and any support would be shared. The Director Corporate Services would discuss the Articles of the company with the Director of Finance.
- the Council's commitment to deliver Net Zero for the city by 2030 was at the core of every activity. The risk was about a whole commitment, and there was little benefit in dividing its delivery. It was important to wait until the Net Zero team were able to report back with an assessment of what and when we can deliver in our own areas of responsibility. The discussion at the recent Executive reiterated the significant challenges of delivering such a programme.

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

(The meeting commenced at 5.30 pm and closed at 6.55 pm)

Chair

# The Audit Findings for Exeter City Council

Year ended 31 March 2021

Exeter City Council  
March 2022

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## Your key Grant Thornton team members are:

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## Section

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2. Financial statements
3. Value for money arrangements
5. Independence and ethics

## Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinion
- E. Audit letter in respect of delayed VFM work

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

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

Name : Julie Masci  
For Grant Thornton UK LLP  
Date : 28 February 2022

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Exeter City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

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## Financial Statements

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

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

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

Our audit work commenced in August 2021 and was completed remotely. Our findings are summarised on pages 5 to 25. We have not identified any significant adjustments to the financial statements. We have raised recommendations for management as a result of our audit work in Appendix A.

Our work is complete subject to the following:

- Review of the final set of financial statements; and
- Confirmation of post balance sheet events for the Council and Group, to the date of signing.

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

Our anticipated audit report opinion will be unmodified.

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# 1. Headlines

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## Value for Money (VFM) arrangements

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

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

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by April 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of Financial Sustainability. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

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## Statutory duties

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

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

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

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements and Whole of Government Accounts submission.

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## Significant Matters

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We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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# 2. Financial Statements

## Overview of the scope of our audit

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

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

## Audit approach

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

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

## Conclusion

We have completed our audit of your financial statements and subject to finalising our concluding procedures, we anticipate issuing an unqualified audit opinion, as detailed in Appendix D.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

Signed :



# 2. Financial Statements



## Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan in July 2021.

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

|  | Group Amount (£) | Council Amount (£) |
|--|------------------|--------------------|
| Materiality for the financial statements | 2.1 million      | 2 million          |
| Performance materiality                  | 1.58 million     | 1.57 million       |
| Trivial matters                          | 0.1 million      | 0.1 million        |



# 2. Financial Statements - Significant risks

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

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

## Risks identified in our Audit Plan

## Commentary

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. .

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

We:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness

### Findings

In our testing of high risk and unusual journals, we did not identify any inappropriate postings and were able to obtain sufficient corroboration evidence to support these. We did identify two control issues within Journals system controls which we have reported later in this report and recommendations regarding these have been agreed by management.

In our review of accounting estimates and critical judgements we did not identify any areas of management override of controls.



# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### The revenue cycle includes fraudulent transactions

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

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

We have not rebutted the risk of revenue recognition in our group audit for the income relating to Exeter City Living Ltd.

Our risk assessment of the risk of revenue is deemed to continue to be appropriate.

As per our group audit scope set out in the audit plan, we did not rebut the risk of fraud in revenue recognition for the group audit due to the main income streams relating to house sales and this being outside of the normal nature of income received by Council.

Our review of the component auditors file, including the work completed on the revenue recognition risk and management override of control has been completed and we obtained sufficient assurance over the work completed by the component auditor.

On review of the component auditors audit findings report we noted the completion of non audit services by the component auditor for Exeter City Living Ltd including; accounts preparation, preparation of corporation tax computations and corporate finance services relating to forecasting. We considered whether the provision of these services has any impact on our reliance on the work of the component auditors, in particular considering the ethical requirements of AGN 01. We were able to conclude that appropriate safeguards were in place and there were no significant independence issues and we are able to rely on the work of the component auditors.

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of land and buildings

The Authority revalues its land and buildings using a full revaluation method on a rolling five-yearly basis., although all land and buildings are subject to a desktop review each year, 20% are subject to full revaluation. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£437m including Housing Revenue Account as at 31 March 2020) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they have been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these are not materially different to current value.
- engaged our own valuer to assess the instruction to the Authority's valuer and the Authority's valuer's report.

For Land and Building assets our auditors expert reviewed the terms of engagement of the valuation and the overall valuation report and raised a number of questions and challenges to the Council on this. We were able to obtain satisfactory responses to these. Our detailed testing of a sample of items involved reviewing the valuation calculations for the asset and obtaining corroborating evidence for each element within the calculation including; areas, building costs, fees, adjustments for obsolescence and yield adjustments amongst others. We reperformed the accounting entries for each of these e.g. have the correct movements been posted to the income and expenditure statement or revaluation reserve in line with accounting principles. We also considered the assumptions underpinning the valuation of these assets including the measurement basis and whether this was appropriate, checking the calculation used to produce the valuation and ensuring this was appropriate, testing assumptions in respect of obsolescence and build rates. On completing these various streams of testing we were able to conclude on the appropriateness of the estimate for each of the items within the sample and concluded that we obtained appropriate and sufficient evidence to conclude these are appropriate.

For HRA assets we considered the processes and controls in place for the Council's beacon approach to valuing HRA assets. We challenged the valuer on the data used for the valuations, how the condition of properties has been considered in the valuation of the beacons, how often beacons are reviewed overall and what checks are completed annually including where there are modifications to properties or new builds created and how the number of beacons is appropriate for the authority. For a sample of beacons, we corroborated the valuations to available market data. Overall, we were able to obtain appropriate and sufficient evidence to support the valuations of the HRA properties.

### Findings:

We have finalised our work in this risk area and have no issues to report to management.

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of Investment Properties

The Authority revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£53m as at 31 March 2021) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of the Council's internal valuer to estimate the current value as at 31 March 2021.

We therefore identified valuation of investment property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- wrote to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- engaged our own valuer to assess the instruction to the Authority's valuer, the Authority's valuer's report and the assumptions
- tested revaluations made during the year to see if they have been input correctly into the Council's asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these are not materially different to current value.
- engaged our own valuer to assess the instruction to the Authority's valuer, the Authority's valuer's report and to review the assumptions which underpin the material investment properties held by the Council.

Given the size of the Council's investment portfolio and the varied types of properties within it, we obtained support from our auditors expert who reviewed the valuation methodologies and assumptions for nine investment properties held by the Council which were material at year end. A number of challenge questions were raised regarding the approaches taken and elements of the detailed calculations of these. In order to conclude on these, we required more detailed explanations from the Council's valuer to understand the approaches undertaken. For one particular asset, the Bus Station, our expert disagreed with the appraisal used by the Council as part of the valuation due to this being outdated (2015 appraisal). Following further discussions, the Council were able to update the valuation using a more current appraisal and provide further evidence to confirm the value of the asset was appropriate in the statement of accounts. Overall we were able to conclude that the valuations were appropriately supported however we have made 2 recommendations for improvements in this area going forward.

Our detailed testing of a sample of all investment properties involved reviewing the valuation calculations for the asset and obtaining corroborating evidence for each element within the calculation including; areas, rent figures to rental agreements, rate calculations and yields used amongst others. We reperformed the accounting entries for each of these e.g. have the correct movements been posted to the income and expenditure statement or revaluation reserve in line with accounting principles. We also considered the assumptions underpinning the valuation of these assets including the measurement basis and whether this was appropriate, checking the calculation used to produce the valuation and ensuring this was appropriate, testing assumptions in respect of obsolescence and build rates. On completing these various streams of testing we were able to conclude on the appropriateness of the estimate for each of the items within the sample and concluded that we obtained appropriate and sufficient evidence to conclude these are appropriate.

### Findings:

Our work on investment properties, in particular the review of material investment properties by our auditors expert identified a number of areas where we required further information from the Council's valuer in order to understand the valuation approach's and key assumptions used to underpin the valuations. Through further discussions with both our Auditors Expert and the Council's Valuer we were able to conclude that the Council's valuation properties are materially stated within the financial statements.

# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of the pension fund net liability

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

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£135 million liability in the Authority's balance sheet at 31.3.21) and the sensitivity of the estimate to changes in key assumptions.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk of material misstatement due to the assumptions used in the calculations.

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- obtained assurances from the auditor of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
- assessed the accounting treatment of an up front payment which was made in 2020/21 for 3 years past service deficit amounts.

Findings:

We have finalised our work in this risk area and have no issues to report to management.

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

| Component  | Component auditor     | Findings  | Group audit impact   |
|--|-----------------------|---|--|
| Exeter City Council  | Grant Thornton UK LLP | Included within this report.  | No issues identified which impact on the Group Audit.            |
| Exeter City Group Limited (including Exeter City Living Limited) | PKF Francis Clark     | <p>We issued group auditor instructions to PKF Francis Clark who have responded with all the required information to inform our group audit.</p> <p>We undertook a file review of the component auditors audit file and were able to obtain the required level of assurance from the work completed by the component auditors for our group opinion.</p> <p>On review of the component auditors documents, we noted that the auditor had undertaken non-audit services for Exeter City Group Limited. Due to the Financial Reporting Council’s revised Ethical Standard (December 2019) the audit team considered whether the non-audit services provided would have any impact on the independence at the group level. We were able to conclude this did not have an impact and therefore were able to rely on the work of the component auditors.</p> | No issues have been noted in respect to the group audit opinion. |

# 2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

| Issue   | Commentary   | Auditor view  |
|---|--|---|
| <b>IFRS 16 implementation</b> <ul style="list-style-type: none"><li>Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020/2021 statements to comply with the requirement of IAS 8 para 31. As a minimum, we expected audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases</li></ul>   | We have reviewed the accounting policies for the Council to gain assurance that unadopted accounting standards have been appropriately disclosed within the statement of accounts.   | No issues noted.  |
| <b>Recognition and Presentation of Grant Income</b> <ul style="list-style-type: none"><li>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income</li></ul> | We have undertaken detailed sample testing for COVID grants, other grant income and grants received in advance, considering the agent / principal judgements, any outstanding conditions, terms that would indicate any capital, ringfenced or non specific grant income and the statutory accounting requirements for the grants. | Our work is now complete in this area and we found no discrepancies in the council's treatment of grant income and the accounting of this in the statement of accounts. |
| <b>IT Control deficiencies</b> <ul style="list-style-type: none"><li>From our review of journal controls we identified a control deficiency regarding super users.</li></ul>  | The council has a large number of system superusers (13). This is significantly higher than we would expect for a Council of Exeter's size. The greater the number of people with system administrator accounts, the higher the risk of the accounts being used inappropriately.   | Our view is that the Council has too many superusers giving the size of the Council. We have made a recommendation within the action plan regarding this.               |

# 2. Financial Statements – key judgements and estimates

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

| Significant judgement or estimate           | Summary of management's approach  | Audit Comments  | Assessment  |
|---|---|---|---|
| Land and Building valuations – £126 million | <p>The Council undertakes its revaluation on its land and buildings on a rolling five-yearly basis with assets subject to a full revaluation over the five year cycle. All assets which are not part of the full revaluation have been subject to a desktop revaluation as at 31 March 21. This means all assets within land and buildings are subject to some form of revaluation each year, be it a full revaluation or a desktop revaluation.</p> <p>The total year end valuation of land and buildings was £126m, a net decrease of £1.6m from 2019/20 (£128m).</p> | There are no issues to report, we were able to conclude that land and buildings are materially correct. |  <p>Light purple</p> |

## Assessment

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

# 2. Financial Statements – key judgements and estimates

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

| Significant judgement or estimate            | Summary of management’s approach  | Audit Comments   | Assessment   |
|--|---|--|--|
| Investment property valuations – £53 million | <p>The Council revalue it’s investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. The Council has a significant investment portfolio covering a number of different classes of properties, the most significant being retail and office.</p> <p>The total year end valuation of investment properties was £53m, a net decrease of £1m from 2019/20 (£54m).</p> | <p>Our work on investment properties, in particular the review of material investment properties by our auditors expert identified a number of areas where we required further information from the Council’s valuer in order to understand the valuation approach’s and key assumptions used to underpin the valuations. Through further discussions with both our Auditors Expert and the Council’s Valuer we were able to conclude that the Council’s valuation properties are materially stated within the financial statements.</p> | <br><b>Light purple</b> |

### Assessment

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

# 2. Financial Statements - key judgements and estimates

## Significant judgement or estimate

## Summary of management's approach

## Audit Comments

## Assessment

### Net pension liability – £135 million

The Council's net pension liability at 31 March 2021 is £135m (PY £106m) – comprising of the Local Government and unfunded defined benefit pension scheme obligations.

The Council uses Barnett Waddington to provide actuarial valuations of the Council's assets and liabilities derived from these schemes.

A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. A roll forward approach is used in the intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.

Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

There has been an increase of £28m in the net actuarial loss during 2020/21

The Council opted to make an up front payment of 3 years past service deficit amounts during 2020/21.

We reviewed the detail of your assessment of the estimate, considering the:

- assessment of your management's expert, Barnett Waddington;
- completeness and accuracy of the underlying information used to determine the estimate;
- reasonableness of the Council's share of LGPS assets;
- reasonableness of the overall increase in the estimate; and
- adequacy of the disclosure of the estimate in the financial statements.

- review of the accounting treatment and support of the up front payment made by the Council

External auditors are provided with assurance in the form of an auditor's expert report from PwC to assess the assumptions made by the Actuary, the table below sets out the key assumptions

| Assumption                                       | Actuary Value  | PwC range                  | Assessment |
|--|--|----------------------------|------------|
| Discount rate                                    | 2%   | 1.95% - 2.04%              | ●          |
| Pension increase rate                            | 2.80%  | 2.80% - 2.85%              | ●          |
| Salary growth                                    | 3.8%   | 3.80% - 3.85%              | ●          |
| Life expectancy – Males currently aged 45 / 65   | Pensioners: 22.6 years<br>Non-pensioners: 24.0 years | 21.9 - 24.4<br>20.5 – 23.1 | ●          |
| Life expectancy – Females currently aged 45 / 65 | Pensioners: 23.9 years<br>Non-pensioners: 25.4 years | 24.8 – 26.4<br>23.3 – 25.0 | ●          |

Our work in this area is complete and no issues have been identified.

●  
Light Purple

## Assessment

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

# 2. Financial Statements - key judgements and estimates

| Significant judgement or estimate                   | Summary of management's approach   | Audit Comments  | Assessment  |
|---|--|---|---|
| Provisions for bad debts                            | <p>The Council makes a provision every year for the impairment of doubtful debts for Council Tax, Business Rates, Housing Benefit and Sundry Debt.</p> <p>The Council adopts a calculation methodology based upon past experience and the age of debts to make an allowance for the non-collectable amount of the reported debts.</p> <p>Management has reviewed the amounts collected in year against the provision at 31 March 2021.</p> | We have reviewed the Council's methodology and recalculated the provision. We have challenged the movements in the provisions since the prior year and have concluded managements approach to this is reasonable. | <br>Light purple |
| Land and Buildings – Council Housing - £264 million | The Council has a large portfolio of Council dwellings made up of 4,793 properties, 15 shared ownership properties and 823 garages. The Council's housing stock was last fully valued as a whole on 1 April 2019 with a desktop revaluation taking place each year, the latest as at 31 March 2021. The Council use the beacon methodology to value Council dwellings and there are 25 beacons used by the Council.                        | We have reviewed the Council's methodology of using beacon approach to revaluation of Council dwellings and have concluded that managements approach to this is reasonable.                                       | <br>Light purple |

## Assessment

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

# 2. Financial Statements - key judgements and estimates

| Significant judgement or estimate                             | Summary of management's approach   | Audit Comments   | Assessment                |
|---|--|--|---------------------------|
| Grants Income Recognition and Presentation<br>£81.278 million | The Council has received material COVID grants in 2020/21 and has undertaken a detailed exercise to determine the accounting treatment for these e.g. whether the Council are an agent or principal for each of the different grant streams and whether there are any conditions / restrictions to the grants. | <p>The audit team obtained the Council's working paper detailing the judgements on accounting treatment of the COVID grants, reviewed the rationale and undertook detailed sample testing.</p> <p>Our sample testing of COVID grant income covered both grants where the council determined they were acting as an agent and principal to ensure grants had been correctly included or excluded from the accounts. The Council was able to support its principal / agent judgements for the grants we selected for testing and the treatment of the grants deemed to be reasonable.</p> <p>We also considered whether there were any conditions / restriction to grants and we were able to obtain sufficient evidence to support the conclusions.</p> <p>The accounting entries of the grants within the statement of accounts were also considered to ensure the classification and statutory accounting requirements were correct.</p> <p>We have finalised our work on COVID grants and there are no issues to report to management.</p> | <p>●<br/>Light purple</p> |

## Assessment

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

# 2. Financial Statements - key judgements and estimates

| Significant judgement or estimate          | Summary of management's approach   | Audit Comments  | Assessment   |
|--|--|---|--|
| <p>Minimum Revenue Provision - £0.979m</p> | <p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £0.979 million, a net increase of £0.286 million from 2019/20.</p> <p>The Council's minimum revenue policy sets out the Council's approach to reclaim prior year voluntary revenue provision. The Council made voluntary payments totalling £5.02 million from 2013/14 – 2018/19 and is reclaiming the total amount over a three year period covering 2019/20 – 2021/22. We have undertaken work to give us sufficient assurance that the voluntary payments were made as detailed above and that it is appropriate for the Council to reclaim these based on the statutory guidance. We were able to conclude the approach taken by the Council is in line with the statutory guidance and reasonable.</p> <p>The Council's calculation approach to MRP was deemed to be prudent and calculated in line with requirements other than one area noted further below.</p> <p>The Council do not provide for MRP on capital loans to third parties. Grant Thornton's interpretation of the regulations is that this is a requirement. Whilst we acknowledge the Council are reducing the CFR with the annual loan payments, this is over a long period of time and therefore the Council are not setting aside funds for capital expenditure paid and still outstanding. Although in year, and cumulatively, this does not have a material impact on the MRP, going forward this will become material and the Council will need to consider the impact on budget setting going forward.</p> | <ul style="list-style-type: none"> <li>The approach taken by the Council to reclaim prior year voluntary payments is reasonable.</li> <li>The Council are not providing MRP for capital loan payments to third parties. Our view is this is not in line with the regulations</li> <li>Other than the above point, the Council's MRP is deemed to be prudent.</li> </ul> <p><b>Management Response:</b></p> <p><i>Not agreed. Whilst the section 151 Officer understands why the recommendation has been made, it is his professional opinion that the recommendation if followed would provide for an MRP that over provides and therefore is not prudent. This is because the loan repayment fully provides for the amount required to be set aside in line with the Council's policy to repay debt in line with the relevant assets useful life. If the Council set aside this amount from revenue as well it would, by the time the loan was repaid, have locked away twice as much as required resulting in a positive capital financing requirement and a waste of taxpayers funds. The section 151 Officer does not believe this is the intention of either the Government or External Audit, whose roles (in relation to this) partly exist in order to protect taxpayers. Indeed conversations with the Government over the consultation have indicated that they will rework the proposals in respect of capital loans.</i></p> <p><i>It is important to note that MRP exists to replace proper accounting practice in respect of depreciation, amortisation and movement in market values, where Councils have a statutory override in place that removes these transaction. There is proper accounting practice in place for capital loans and this should be enforced properly instead.</i></p> | <p style="text-align: center;">●</p> <p style="text-align: center;">Grey</p> |

**Assessment**

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

# 2. Financial Statements - Internal Control

| Assessment | Issue and risk   | Recommendations   |
|------------|--|---|
| ●          | Declarations of interest were only made by two senior officers in 2020/21. The system used to make declarations does not require senior officers to complete a declaration where this is a nil disclosure. There is a risk that related parties are not declared by all senior officers. | See page 28 for the recommendations within the action plan. |
| ●          | On a small number of occasions, finance staff have used their superuser ID to post journals into the system. It is the Councils policy that the superuser ID should not be used for this purpose. There is a risk of inappropriate use of superuser ID.                                  | See page 28 for the recommendations within the action plan. |

## Assessment

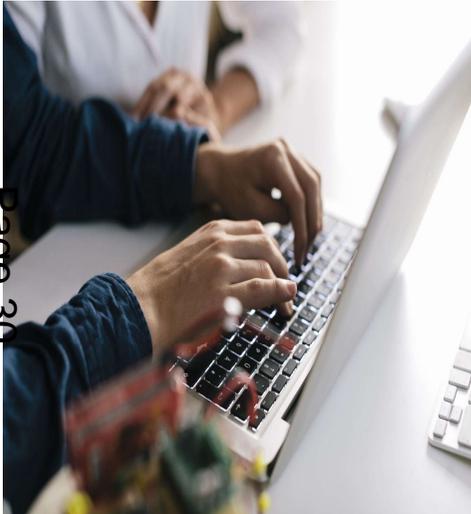
- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

## 2. Financial Statements - other communication requirements

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

| Issue                                       | Commentary   |
|---|--|
| Matters in relation to fraud                | We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures. |
| Matters in relation to related parties      | We are not aware of any related parties or related party transactions which have not been disclosed.   |
| Matters in relation to laws and regulations | You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.   |
| Written representations                     | A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Governance Committee papers   |

## 2. Financial Statements - other communication requirements



| Issue  | Commentary   |
|--|--|
| Confirmation requests from third parties                 | <p>We requested from management permission to send confirmation requests to bank and investment institutions. This permission was granted and the requests were sent. Of these requests all were returned with positive confirmation.</p> <p>We requested from management permission to send confirmation requests to those solicitors who worked with the Council during the year. All requests have now been returned with no significant matters to report.</p> |
| Accounting practices                                     | <p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.</p>   |
| Audit evidence and explanations/significant difficulties | <p>All information and explanations requested from management was provided.</p>  |

# 2. Financial Statements - other communication requirements



## Our responsibility

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

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

## 2. Financial Statements - other responsibilities under the Code

| Issue                                   | Commentary  |
|---|---|
| Other information                       | <p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.</p>  |
| Matters on which we report by exception | <p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"><li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li><li>• if we have applied any of our statutory powers or duties.</li><li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li></ul> <p>There are no other matters to report.</p> |



## 2. Financial Statements - other responsibilities under the Code

| Issue  | Commentary  |
|--|---|
| <b>Specified procedures for Whole of Government Accounts</b> | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"><li>Note that detailed work is not expected to be required as the Council is unlikely to be above the threshold, however the threshold for 2020/21 has not been confirmed at this stage.</li></ul> |
| <b>Certification of the closure of the audit</b>             | <p>We intend to delay the certification of the closure of the 2020/21 audit of Exeter City Council in the audit report, as detailed in Appendix E, due to the delay in the completion of the value for money work and final Whole of Government Accounts procedures.</p>  |

# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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

## Potential types of recommendations

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



### Statutory recommendation

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



### Key recommendation

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



### Improvement recommendation

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

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# 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by April 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the following risk in our audit plan – Financial Sustainability, risk to the delivery of the financial plan. No further significant risks have been identified at this stage.

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# 5. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D

On review of the component auditors audit findings report we noted the completion of non audit services by the component auditor for Exeter City Living Ltd including; accounts preparation, preparation of corporation tax computations and corporate finance services relating to forecasting. We discussed the nature of these services with the Council and the component auditor and considered whether the provision of these services has any impact on our reliance on the work of the component auditors, in particular considering the ethical requirements of AGN 01. We were able to conclude that appropriate safeguards were in place and there were no significant independence issues and we are able to rely on the work of the component auditors.

## Transparency

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

# 5. Independence and ethics

## Audit and non-audit services

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

| Service   | Fees £                  | Threats identified                               | Safeguards  |
|---|-------------------------|--|---|
| Audit related                                   |                         |  |   |
| Certification of Housing Capital Receipts Grant | £6,000                  | Self-Interest (because this is a recurring fee)  | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.  |
|   |                         | Self review (because GT provides audit services) | To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.  |
| Certification of Housing Benefit Claim          | £17,298 (estimated fee) | Self-Interest (because this is a recurring fee)  | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £17,298 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
|   |                         | Self review (because GT provides audit services) | To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.  |
| Audit of the Harbour Accounts                   | £950                    | Self-Interest (because this is a recurring fee)  | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £950 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.    |
|   |                         | Self review (because GT provides audit services) | To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising.  |

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk   | Recommendations  |
|------------|--|--|
| ●          | Declarations of interest were only made by two senior officers in 2020/21. The system used to make declarations does not require senior officers to complete a declaration where this is a nil disclosure. There is a risk that related parties are not declared by all senior officers. | <ul style="list-style-type: none"> <li>We recommend all senior officers should be required to submit an annual declaration of interests, including where this is a nil disclosure</li> </ul> <p><b>Management response</b></p> <p>Agreed. Senior officers will be asked to submit an annual declaration of interests, including a nil disclosure, if appropriate.</p>  |
| ●          | The Council has a large number of finance staff with superuser access to the system. There is a risk of misuse of these access and this not being picked up due to the large number.   | <ul style="list-style-type: none"> <li>We recommend the Council review the user accounts identified with administration privileges and revoke those that do not require this.</li> </ul> <p><b>Management response</b></p> <p>Agreed. A review of super users has been performed and officers that are no longer deemed super users due to a change in their role have had their access permissions updated. An annual review of all super users will be undertaken.</p> |
| ●          | On a small number of occasions, finance staff have used their superuser ID to post journals into the system. It is the Councils policy that the superuser ID should not be used for this purpose. There is a risk of inappropriate use of superuser ID.                                  | <ul style="list-style-type: none"> <li>We recommend the Council ensure no further journal postings are made via superuser IDs.</li> </ul> <p><b>Management response</b></p> <p>Agreed. A reminder has been sent to officers with super user access to highlight that journals should not be posted when logged in as a super user, as this access right is for system administration purposes only.</p>  |

**Controls**

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

# A. Action plan – Audit of Financial Statements

| Assessment | Issue and risk   | Recommendations  |
|------------|--|--|
| <p>●</p>   | <p>The Council does not provide MRP for capital loan payments to third parties. This is not deemed to be in line with the regulations. There is a risk that going forward, MRP will be materially understated.</p>   | <ul style="list-style-type: none"> <li>We recommend the Council reassess the treatment of MRP on capital loans to third parties.</li> </ul> <p><b>Management response</b></p> <p>Not agreed. Whilst the section 151 Officer understands why the recommendation has been made, it is his professional opinion that the recommendation if followed would provide for an MRP that over provides and therefore is not prudent. This is because the loan repayment fully provides for the amount required to be set aside in line with the Council’s policy to repay debt in line with the relevant assets useful life. If the Council set aside this amount from revenue as well it would, by the time the loan was repaid, have locked away twice as much as required resulting in a positive capital financing requirement and a waste of taxpayers funds. The section 151 Officer does not believe this is the intention of either the Government or External Audit, whose roles (in relation to this) partly exist in order to protect taxpayers. Indeed conversations with the Government over the consultation have indicated that they will rework the proposals in respect of capital loans.</p> <p>It is important to note that MRP exists to replace proper accounting practice in respect of depreciation, amortisation and movement in market values, where Councils have a statutory override in place that removes these transaction. There is proper accounting practice in place for capital loans and this should be enforced properly instead.</p> |
| <p>●</p>   | <p>Where the Council are using supporting data and assumptions within investment property valuations, such as land appraisals, they should ensure the latest and most up to date available information is being used as part of the valuation calculations.</p>                    | <ul style="list-style-type: none"> <li>We recommend the Council ensure the latest available information is used by the valuer to support valuation calculations for investment properties.</li> </ul> <p><b>Management response</b></p> <p>Agreed. The Council already endeavours to use the most up-to-date available information, but the recommendation is noted and we will review our practices accordingly. In addition, the Council is seeking to outsource some of its valuation work in respect of certain asset valuations.</p>  |
| <p>●</p>   | <p>Where judgements are being made by the valuer regarding yields in the valuation calculations for more complex investment properties, the valuation report and supporting calculations should document the justification and explanation of the support taken by the valuer.</p> | <ul style="list-style-type: none"> <li>We recommend the Council request this information is provided as part of the valuation outputs.</li> </ul> <p><b>Management response</b></p> <p>Agreed. This is already documented, but we will seek to provide as part of the valuation outputs.</p>   |

**Controls**

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

# B. Audit Adjustments

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

There are no adjusted misstatements to report.

## Misclassification and disclosure changes

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

| Disclosure omission  | Auditor recommendations  | Adjusted? |
|--|--|-----------|
| The collection fund adjustment account shows a significant movement year on year due to the extent of reliefs giving to businesses during the pandemic | We recommend a comment is added to the note to explain the reason for the movement to aid users of the accounts understanding giving the significance of the movement.<br><b>Management response</b><br>Agreed. A note has been added to explain the reason for the significant increase in the Collection Fund Adjustment Account compared to the prior year. | ✓         |

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# B. Audit Adjustments

## Impact of unadjusted misstatements

There are no unadjusted misstatements to report.

## Impact of prior year unadjusted misstatements

There are no prior year unadjusted misstatements to report.



# C. Fees

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

Audit related fees includes a £950 fee for the audit of the harbour accounts which was not included within the audit plan.

The fees reconcile to the financial statements, with a £6k difference due to the council accruing for additional expected fees for housing benefits based on prior experience of the actual fees.

| <b>Audit fees</b>   | <b>Proposed fee</b> | <b>Final fee</b> |
|---|---------------------|------------------|
| Council Audit   | £62,073             | £69,173          |
| Additional work on Value for Money (VFM) under new NAO Code                         | £9,000              | TBC              |
| Additional fee in respect of review of subsidiary company Exeter City Group Limited | £3,500              | £3,500           |
| <b>Total audit fees (excluding VAT)</b>   | <b>£74,573</b>      | <b>TBC</b>       |

| <b>Non-audit fees for other services</b>    | <b>Proposed fee</b> | <b>Final fee</b> |
|---|---------------------|------------------|
| Audit Related Services                      | £21,198             | TBC              |
| <b>Total non-audit fees (excluding VAT)</b> | <b>£21,198</b>      | <b>TBC</b>       |

# Final Audit Fees for 2020-21

We confirm below our proposed final fees for the 2020-21 financial audit to be considered by PSAA. Our final fee for VFM work will be confirmed following the issue of our Annual Auditors Report at by April 2022.

| <b>Audit fees</b>  | <b>2019-20 Final Fee</b> | <b>2020-21 Planned fee</b> | <b>* 2020-21 Final fee</b> |
|--|--------------------------|----------------------------|----------------------------|
| Scale Fee published by PSAA  | 44,573                   | 44,573                     | 44,573                     |
| Raising the bar / regulatory factors   | 2,500                    | 2,500                      | 2,500                      |
| Enhanced audit procedures for Property, Plant and Equipment and Investment Properties      | 1,750                    | 1,750                      | 6,750                      |
| Use of valuation auditor's expert to support work on PPE                                   | -                        | 5,000                      | 7,100                      |
| Enhanced audit procedures for Pensions   | 1,750                    | 1,750                      | 1,750                      |
| Increased audit requirements of revised ISA's (540 / 240 / 700)                            | 1,500                    | 6,500                      | 6,500                      |
| Additional work due to Covid-19 impact   | 7,680                    | -                          | -                          |
| Additional work due to technical accounting issues associated with prior period adjustment | 500                      | -                          | -                          |
| <b>Total Council financial audit fees</b>  | <b>60,253</b>            | <b>62,073</b>              | <b>69,173</b>              |
| Additional fee in respect of review of subsidiary company Exeter City Group Limited        | 1,500                    | 3,500                      | 3,500                      |
| <b>Total Council and Group financial audit fees (excluding VAT)</b>                        | <b>£61,753</b>           | <b>£65,573</b>             | <b>£72,673</b>             |

\*The final fee variation is subject to approval by PSAA.

| <b>Audit fees still to be confirmed</b>                     | <b>2019-20 Final Fee</b> | <b>2020-21 Planned fee</b> | <b>* 2020-21 Final fee</b> |
|---|--------------------------|----------------------------|----------------------------|
| Additional work on Value for Money (VFM) under new NAO Code | -                        | 9,000                      | TBC                        |

# D. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report.

## Independent auditor's report to the members of Exeter City Council

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Exeter City Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement in the Housing Revenue Account, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's

# D. Audit opinion

financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

## Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

# D. Audit opinion

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

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we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 27, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

# D. Audit opinion

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Local Government and Housing Act 1989).

- We enquired of senior officers and the Audit and Governance Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, management estimates and judgements and transactions outside the normal course of business.

- Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud;
- journal entry testing, with a focus on high risk journals
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, council dwellings and investment property valuations and defined benefit pensions liability valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and investment property valuations and defined benefit pensions liability valuations.

# D. Audit opinion

- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditors
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

## Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

# D. Audit opinion

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Exeter City Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Julie Masci, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date

# E. Audit letter in respect of delayed VFM work

Chair of the Audit and Governance Committee  
Civic Centre  
Paris Street  
Exeter  
Devon  
EX1 1JN

Dear Chair of the Audit and Governance Committee

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

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than April 2022.

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

Yours faithfully

Julie Masci  
Director



## REPORT TO AUDIT AND GOVERNANCE COMMITTEE

**Date of Meeting: 9 MARCH 2022**

**Report of: AUDIT MANAGERS**

**Title: INTERNAL AUDIT ANNUAL PLAN 2022/23**

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

No

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

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

COUNCIL

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

The Audit and Governance Committee has responsibility for approving the annual Internal Audit plan and ensuring that appropriate risk assessments have been carried out when formulating the plan. This report details the proposed areas of work for the 2022/23 year.

### **2. Recommendations:**

That the 2022/23 Internal Audit Plan be approved.

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

To meet the terms of reference of the Audit and Governance committee and the Internal Audit Charter.

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

No additional resources implications

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

The audit plan is based on a logical methodology and there has been consultation with Service Leads and SMB. The proposed plan raises no concerns for the Section 151 Officer.

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

None identified. Members will note the reasons for the internal audit process and the process for managing risk as set out in this report together with the internal audit plan for 2022-23.

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

This report raises no issues for the Monitoring Officer.

## **8. Report details:**

8.1 The Internal Audit Strategy including the audit rolling plan was established in line with internal control and risk management best practice, and is used to establish the basis of the Audit Plan.

8.2 The final Audit Plan has been compiled using risk analysis along with information from the Council's Corporate Risk register, feedback from Strategic Management Board about their priorities and any specific concerns they may have, and also feedback from the Chair and Deputy Chair of the Audit and Governance Committee.

8.3 The detailed plan is at Appendix A.

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

An effective internal audit is part of good governance that enables the Council to operate an effective control environment and therefore contributes to the Corporate objectives of 'A well run council' and 'Providing money for value services'.

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

10.1 Systems of control can only ever provide reasonable, but not absolute, assurance that control weaknesses and irregularities do not exist, and that there are no risks of material errors, losses, fraud or breaches of laws or regulations. The Council is therefore continually seeking to improve the effectiveness of its systems of internal control.

10.2 Risks are further reduced by producing an annual audit plan linked to the Council's corporate risk register and prioritising the plan based on risk. Progress against the plan is reported to this Committee on a quarterly basis.

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

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

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

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

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

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

11.4.1 The report is for information only

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

No direct carbon/environmental impacts arising from the recommendations.

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

N/A

Director David Hodgson (Chief Finance Officer)

Author: Helen Putt and Helen Kelvey (Audit Managers)

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

**Background papers used in compiling this report:-**

None

Contact for enquires: Democratic Services (Committees)

01392 265115

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Internal Audit Service

# Annual Audit Plan 2022-23

## Contents

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## 1. Introduction

The role of internal audit is that of an:

*'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'*  
(Public Sector Internal Audit Standards 2016 (PSIAS))

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

Page 59 Internal Audit's main objectives are to:

- provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
- provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes
- provide advice and support to management to enable an effective control environment to be maintained
- promote a counter fraud culture within the Council to aid the prevention and detection of fraud
- investigate allegations of fraud, bribery and corruption

The internal audit plan provides the mechanism through which we can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant stakeholders, to ensure it continues to reflect the needs of the Council. We will continue to report progress against the plan to Audit and Governance Committee quarterly.

We make every effort to work with other assurance providers to minimise duplication.

## 2. Your Internal Audit Team

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

Page 60



Helen Kelvey, Audit Manager



Helen Putt, Audit Manager



Davina Blanchard, Auditor



Sandra Please, Auditor

## 3. Conformance with internal auditing Standards

We operate in accordance with the Public Sector Internal Audit standards 2016 (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. Our last external assessment, in January 2020, concluded that:

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

## 4. Council Vision

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**Our Strategy**

Autumn 2020 Update

- Promoting active & healthy lifestyles
- Delivering Net Zero Exeter 2030
- Building great neighbourhoods
- Providing value for money services
- Leading a well-run council

Liveable Exeter

Live & Move

NET ZERO EXETER

Exeter City Council

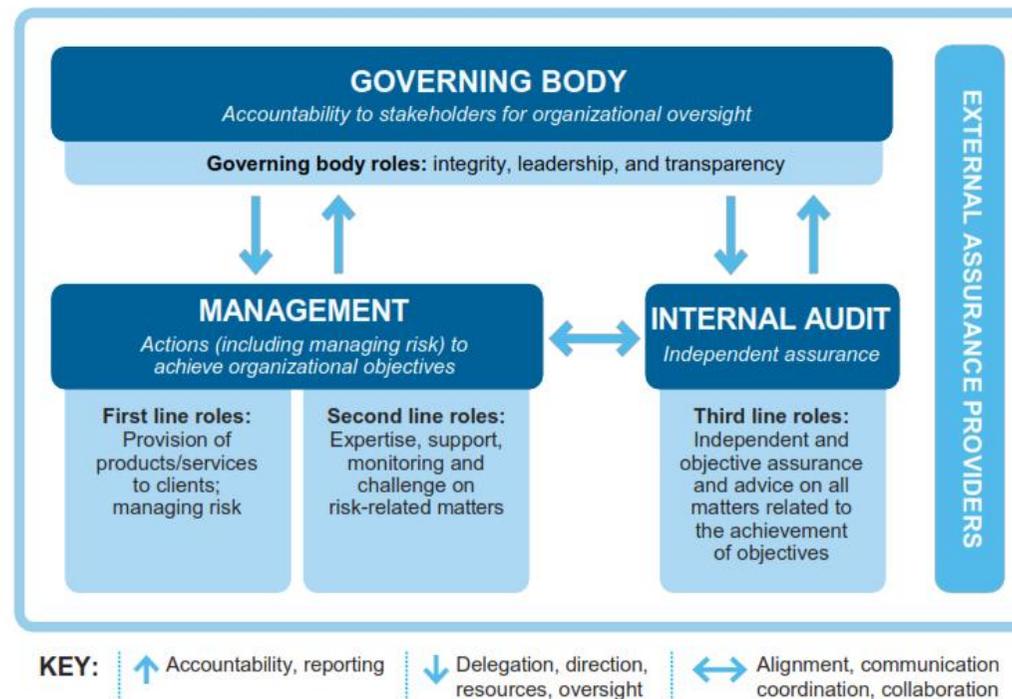
EXETER LIVE BETTER

## 5. Council Risk

The Council has a clear framework and approach to risk management. The strategic risks contained in the Corporate Risk Register and assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the corporate risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation. The Institute of Internal Auditors endorses the 'Three Lines of Defence' model as a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

### The IIA's Three Lines Model



| LINE  | FUNCTIONS/INDIVIDUALS   | RESPONSIBILITY | ROLES   |
|---|---|----------------|---|
| <b>FIRST</b>  | Management – Operational functions and support functions such as HR and finance.              | Action         | <ul style="list-style-type: none"> <li>to achieve organisational objectives</li> <li>to deliver services</li> <li>to manage risk</li> <li>to directly support activities of the organisation</li> </ul>   |
| <b>SECOND</b>   | Management – e.g. legal, information security, quality assurance, health and safety, ERM/risk | Action         | <ul style="list-style-type: none"> <li>to achieve organisational objectives</li> <li>to provide assistance with managing risk</li> <li>to provide complementary expertise, support, monitoring and challenge to those in the first-line roles</li> </ul>  |
| <b>First and second line roles may be blended or separate</b> |   |                |   |
| <b>THIRD</b>  | Internal Audit  | Assurance      | <ul style="list-style-type: none"> <li>to provide independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management</li> </ul>   |
|   | Audit & Governance Committee  | Accountability | <ul style="list-style-type: none"> <li>ensures appropriate structures and processes are in place for effective governance (delegates responsibility and provides resource)</li> <li>ensures organisational objectives and activities are aligned with the prioritised interests of stakeholders</li> <li>establishes and oversees an independent, objective and competent internal audit function to provide clarity and confidence on progress toward the achievement of objectives</li> </ul> |

### The role of the three lines of defence

Internal audit is uniquely positioned within the organisation to provide global assurance to the audit committee and senior management on the effectiveness of internal governance and risk processes. It is also well-placed to fulfil an advisory role on the coordination of assurance, effective ways of improving existing processes, and assisting management in implementing recommended improvements. In such a framework, internal audit is a cornerstone of an organisation's corporate governance.

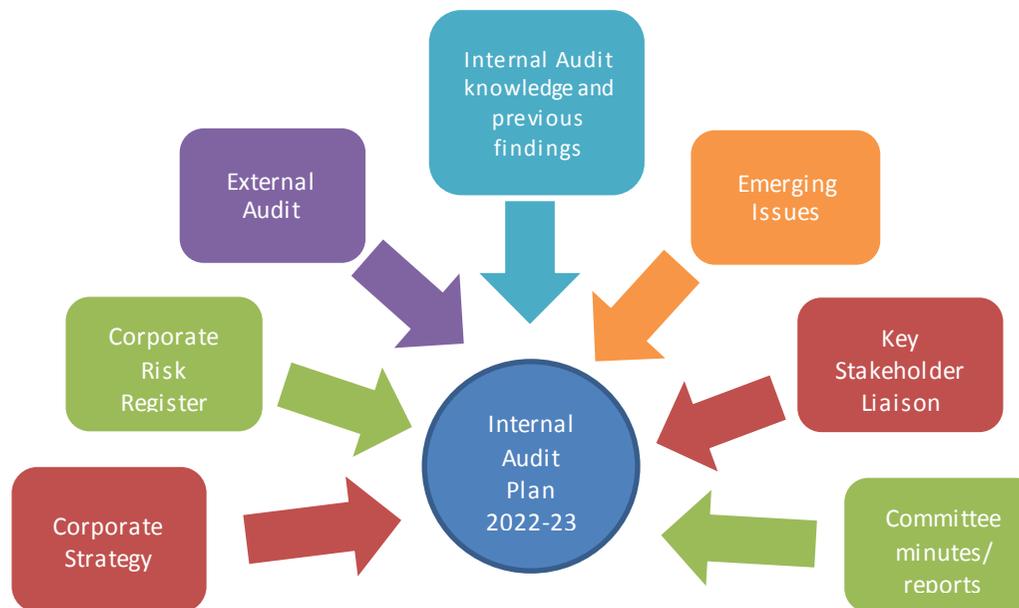
The use of the three lines of defence to understand the system of internal control and risk management should not be regarded as an automatic guarantee of success. All three lines need to work effectively with each other and with the audit committee in order to create the right conditions.

## 6. Developing the internal audit plan

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. The Council obtains assurance from a number of other sources as detailed in the Annual Governance Statement.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.

We have used various sources of information and discussed priorities for internal audit with the following groups:



## 7. Internal Audit Plan

The Internal audit service has 478 days within the plan. Of those days, 150 are fixed days for audit planning and control, process mapping, general administration, follow-ups and other activities conducted by Internal Audit, such as National Fraud Initiative co-ordination, administration of RIPA, review of hospitality and disclosures and Disabled Facilities Grant audit (terms of grant conditions). A small amount of time is set aside as a contingency to allow for unplanned work such as frauds. The remaining 328 days will be used for the planned work as detailed below.

The audit risk ratings are calculated using a score against nine different criteria; Audit assurance/perception, reputation/sensitivity, complexity of system, finance, operational impact, inherent fraud risk, staff morale/turnover/change, volume of transactions and other assurance sources. This helps us to determine the frequency of audit and level of coverage required.

| Audit Heading            | Description and organisational risk   | Audit Risk rating | Scope   |
|--------------------------|---|-------------------|---|
| <b>Corporate Audits</b>  |   |                   |   |
| Health and Safety        | <p>Health and Safety is a legislative requirement.</p> <p>Risk – legislative risk, risk of significant financial penalties</p>  | High              | General assurance on compliance taking into account current priorities and concerns raised by the Health and Safety Committee   |
| Equalities and Diversity | <p>Under the Equality Act 2010, public sector organisations have an equality duty. The Equality Duty ensures that public bodies consider the needs of all individuals in their day to day work – in shaping policy, in delivering services, and in relation to their own employees.</p> <p>Risk – legislative risk. Damage to reputation of Council</p> | Low               | <p>General assurance work against the Equalities Framework.</p> <p>This is low risk but has been included in the plan again at the request of Members of this committee at the December 2021 meeting.</p> |

| Audit Heading                      | Description and organisational risk   | Audit Risk rating | Scope  |
|------------------------------------|---|-------------------|--|
| Risk Management                    | <p>Systems and processes to manage the Council's risks that could prevent it from meeting its objectives</p> <p>Risk – financial risks. Failure to meet objectives and purpose</p>                                    | High              | General assurance work and continue to assist in establishing operational risk registers throughout the organisation to help embed risk management across the Council. |
| Business Continuity Management     | <p>Systems and processes to ensure continuity of business in the event of disruption.</p> <p>Risk – potential legislative risk if failure of statutory services. Financial risk. Damage to reputation of Council.</p> | High              | General assurance work   |
| Contract Management                | <p>The way in which the Council manages its contracts.</p> <p>Risk – Contractors fail to deliver their obligations leading to poor value for money.</p>   | High              | Review of the contract management processes for a sample of existing contracts   |
| External Funding / Grants Received | <p>Funding received by the Council for specific purposes. This excluded the Covid Grants, this is reviewed separately.</p> <p>Risk – financial risk, reputational risk</p>  | Medium            | General assurance work   |
| Safeguarding                       | <p>The Council has a legal duty to have proper procedures in place to protect vulnerable adults and children.</p>   | Medium            | General assurance work.  |

| Audit Heading   | Description and organisational risk  | Audit Risk rating | Scope   |
|---|--|-------------------|---|
|   | Risk – legislative risk, Council fails to protect vulnerable   |                   |   |
| Performance Management                                      | <p>Performance management is described as <i>an ongoing process of communication between a supervisor and an employee that occurs throughout the year, in support of accomplishing the strategic objectives of the organization.</i></p> <p>Risk – the Council fails to meet its corporate objectives</p>  | Medium            | Review of performance measures and effectiveness within services to support the One Exeter program. |
| Exeter City Living  | <p>Exeter City Living is a Council owned business. Exeter City Living describes itself as <i>“a profit-for-purpose limited company, an innovative and sustainable housing developer who seek to play a key role in creating communities and delivering environmental property developments long into the future.”</i></p> <p>Risk – financial and reputational</p> | High              | To provide assurance around the governance of the business.   |
| Covid19 Pandemic related work/Business Grant Assurance work | <p>The Government has put in place a number of grants to support businesses through the Covid19 pandemic. Post payment assurance work is required to support payment of the grants.</p> <p>Other assurance may also be required for other support schemes e.g. fees and charges.</p>   | High              | Assurance as required by the Government   |

| Audit Heading   | Description and organisational risk   | Audit Risk rating | Scope   |
|---|---|-------------------|---|
| <b>Chief Finance Officer</b>                          |   |                   |   |
| Main Accounting                                       | The accounting function of the Council<br><br>Risk - Financial risk, non-compliance with regulations  | High              | Cyclical coverage of the core financial systems to meet regulatory requirements. We will work with external audit to co-ordinate work as far as possible and avoid duplication. |
| Income Management                                     | The management of income to the Council<br><br>Risk – financial risk  | High              | As above. Assurance work will focus in particular on the implementation and operation of the new income management system.  |
| Creditors   | Payment of the Councils suppliers of goods and services<br><br>Risk – financial risk, risk of fraudulent transactions   | High              | Cyclical coverage of the core financial systems to meet regulatory requirements. Reviews of the use and management of the Corporate Credit cards.                               |
| <b>City Solicitor and Director Corporate Services</b> |   |                   |   |
| People Management (including Payroll)                 | The management of the Council’s human resource, including Payroll.<br><br>Risk – financial risk, risk of fraud  | High              | General assurance work, including assurance around Furlough payments.   |
| Elections and Electoral Registration                  | Exeter City Council provides electoral services for district, County and Police Crime Commissioner elections.<br><br>Risk – legislative, reputational and financial | Low               | General assurance over the efficiency and effectiveness of electoral registration, canvass, election and count processes.   |

| Audit Heading                                       | Description and organisational risk  | Audit Risk rating | Scope  |
|---|--|-------------------|--|
| <b>Director Net Zero Exeter and City Management</b> |  |                   |  |
| Private Sector Landlord Services                    | <p>Services relating to private sector landlords. This includes finding tenants to support with grant applications for energy saving measures and necessary home improvements to assist people to be able to stay in their homes e.g. Disabled Facilities Grants.</p> <p>Risk - financial, fraudulent grant claims</p> | Medium            | General assurance work to include completion of the review of the administration of Houses in Multiple Occupation Licenses.  |
| Better Care Fund Grants                             | <p>The Better Care Fund (BCF) provides financial support for councils and NHS organisations to jointly plan and deliver local services.</p> <p>Risk - financial and reputational risk</p>  | Medium            | To provide compliance assurance that any schemes being operated with Exeter City Council are in accordance with regulations.   |
| Waste and Recycling                                 | <p>Household waste disposal and recycling is a statutory function of the Council. The Council is also operating commercial waste collections, these collections incur a fee.</p> <p>Risk – reputational and financial risk</p>   | Medium            | Assurance work on the processes relating to the implementation of the new food waste collections. The commercial aspect of waste collections will be covered under Business and Commercialisation. |
| Building Greater Exeter                             | <p>Building Greater Exeter is a partnership between Exeter City Council, neighbouring Councils and a number of local construction businesses with the purpose of ensuring there is sufficient skilled workforce in the construction industry to support Building Greater Exeter.</p>                                   | Low               | At the request of the service lead general assurance over the effectiveness and governance of the partnership.   |

| Audit Heading                                  | Description and organisational risk   | Audit Risk rating | Scope   |
|--|---|-------------------|---|
|  | Risk – strategic risk   |                   |   |
| Net Zero Exeter                                | One of the Council’s priorities is to deliver Net Zero Exeter by 2030.<br><br>Risk – Reputational and financial   | High              | General assurance   |
| Business and Commercialisation                 | The Council is embarking on a number of new commercial projects aimed at improving service delivery in a cost neutral way and in the long term looking at projects that could return a profit for the Council.<br><br>Risk - Financial risks. Failure to meet objectives and purpose. Reputational risks. | High              | We will review a sample of projects to ensure compliance with the Council’s Commercialisation Strategy and provide advice and guidance as needed. Following up on the implementation of any audit actions already agreed. |
| <b>Director Culture and Leisure Facilities</b> |   |                   |   |
| Sport England – Well Being Exeter              | Wellbeing Exeter is a partnership of public, voluntary and community sector organisations formed to explore better ways of supporting the 40% of patients who visit their GP with socially based rather than medical problems.<br><br>Risk – financial and reputational risk                              | Medium            | We will review the effectiveness and efficiency of the processes and procedures administered by Exeter City Council to support this partnership and to ensure they comply with relevant policies.                         |
| Communications – social media                  | The Council uses Social Media as a tool to provide information to the public. A number of officers across the Council are able to publish information via Social Media.   | Medium            | To provide assurance that the Council’s Social Media Policy is effective and being followed.  |

| Audit Heading   | Description and organisational risk  | Audit Risk rating | Scope   |
|---|--|-------------------|---|
|   | Risk - reputational risk.  |                   |   |
| Leisure Facilities  | <p>The Council provides a number of Council run leisure facilities, including sports centres and the Corn Exchange entertainment venue.</p> <p>Risk - reputational and financial risk</p>  | High              | General assurance. This is a new area. The Council's Leisure facilities have recently been taken back in-house and the audit work will focus on general assurance around the control environment. |
| <b>Director City Development, Housing and Supporting People</b> |  |                   |   |
| Housing Benefit Subsidy   | <p>Processing and payment of Housing Benefit.</p> <p>Risk – financial risk, subsidy penalties</p>  | Medium            | General assurance. This is an area covered in depth by our External auditors, therefore the level of coverage by Internal Audit will be reduced.  |
| Council Tax   | <p>Council tax is the main source of locally-raised income for local authorities. Council tax is made up of several elements. Exeter City Council, as a 'collecting authority' is responsible for collecting the council tax for Devon County Council, Devon &amp; Somerset Fire and Rescue service and Devon &amp; Cornwall Police Authority</p> <p>Risk - financial risk</p> | Medium            | General assurance that controls are working effectively.  |
| Sundry Debtors  | Exeter City Council generates income from a wide range of services for example Planning application fees, collecting trade waste and hiring out conference facilities. Where income is not   | Medium            | General assurance that the internal control system is working effectively.  |

| Audit Heading | Description and organisational risk   | Audit Risk rating | Scope |
|---------------|---|-------------------|-------|
|               | collected at the point of sale it is collected via a sundry debtors invoice.<br><br>Risk - financial risk |                   |       |

## **REPORT TO AUDIT & GOVERNANCE**

**Date of Meeting: 9 MARCH 2022**

**Report of: AUDIT MANAGERS**

**Title: INTERNAL AUDIT PROGRESS REPORT 3RD QUARTER 1<sup>st</sup> OCTOBER TO 31st DECEMBER 2021**

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

No

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

COUNCIL

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

- 1.1 To report on internal audit work carried out during the period 1<sup>st</sup> October to 31st December 2021, 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 third quarter of the year 2021/22 be noted.

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

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

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

None

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

On the whole, Members should take confidence from the completed audits in quarter 3, which predominantly provide substantial assurance.

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

None identified.

#### **7. Monitoring Officer Comments:**

This report raises no issues of concern to the Monitoring officer. In fact the reports show a good overall level of assurance.

#### **8. Report details:**

- 8.1 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 2021/22 Audit Plan was approved at this Committee on 10th March 2021.

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:

|                               |   |
|-------------------------------|---|
| <b>Substantial Assurance</b>  | 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  |
| <b>Satisfactory Assurance</b> | 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 |
| <b>Limited Assurance</b>      | 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.   |
| <b>No assurance</b>           | 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  |

## 8.2 Work Undertaken

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

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

I am pleased to report that 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 ongoing Covid19 Pandemic, the Council has once again be required to administer further government business grants and therefore more post-award compliance checking has been needed and although this has impacted on the Internal audit plan, this is being managed.

### 8.3 **Governance Issues**

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

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

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

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

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

N/A

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

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

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

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

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

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

11.4.1 The report is for information only

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

N/A

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

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

**Background papers used in compiling this report:**

None

Contact for enquiries:

Democratic Services (Committees)

01392 265115

**EXETER CITY COUNCIL  
AUDIT AND GOVERNANCE COMMITTEE**

**PROGRESS OF 2021/22 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. Only high risk findings are detailed in this information summary for Members. Medium and low risk findings are managed by the service area.

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| <b>Audit Review</b>              | <b>Report Status</b> | <b>Overall Opinion</b> | <b>Direction of travel since last audit</b> | <b>No. of Findings &amp; Remedial Action Agreed (High Risk only)</b> | <b>Summary (where completed within this quarter)</b>  |
|----------------------------------|----------------------|------------------------|---|--|---|
| Main Accounting                  | Deferred to 2022/23  |                        |   |  | To be deferred to 2022-23 due to the delay in implementing the upgrade to the accounting system. As reported in December 2021.  |
| Income Management                |                      |                        |   |  |   |
| Creditors                        | In progress          |                        |   |  |   |
| VAT                              | In progress          |                        |   |  |   |
| Insurance                        | Final                | Substantial Assurance  | N/A   | 4 Medium<br>3 Low  | Reported Quarter 2  |
| People Management                | In progress          |                        |   |  |   |
| Members Expenses                 | Final                | Substantial Assurance  | N/A   | None   | Reported Quarter 1.   |
| Health & Safety                  | Draft report         |                        |   |  |   |
| Private Sector Landlord Services |                      |                        |   |  |   |
| Sport England                    |                      |                        |   |  |   |
| Events, Arts & Culture           | Deferred to 2022-23  |                        |   |  | As a result of the pandemic the number of events planned for this financial year is limited. This audit has therefore been deferred to 2022-23. As reported December 2021.  |
| Fleet Management                 | Final                | Substantial Assurance  | N/A   | 3 Medium<br>1 Low  | Exeter City Council currently has a fleet of 469 (vehicles, implements, plants and trailers) of which approximately 150 are road-going vehicles. These are managed by the Fleet Team who are responsible for the contract hire, maintenance and disposal of vehicles and other administrative tasks associated with the fleet management. |

| 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)  |
|----------------------------------|---------------|------------------------|--------------------------------------|---|--|
|                                  |               |                        |                                      |   | <p>In the past the Fleet Strategy was to purchase fleet assets as and when required with maintenance being paid for separately. In 2019 as a large number of vehicles purchased in 2008-12 were overdue for replacement, a new strategy of using Contract Hire was endorsed by Members to avoid the Council having to borrow a significant amount to purchase the vehicles.</p> <p>A new contract has now been established for the</p> <ul style="list-style-type: none"> <li>• Supply and maintenance of new vehicles – under a full maintenance lease with the option to purchase after 7 years</li> <li>• Maintenance only at fixed costs – for ECC owned vehicles less than 7 years old</li> <li>• “Pay as you go” maintenance</li> </ul> <p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> <li>• Policy and strategy</li> <li>• Induction practices and driver education</li> <li>• Fleet procurement and disposal</li> <li>• Maintenance and inspections</li> <li>• Invoice payments</li> <li>• Insurance</li> <li>• Contract management</li> <li>• Monitoring and performance</li> </ul> <p>The fleet contract appears to be working well. Remedial action has been agreed for all findings.</p> |
| Car Parks                        | Final         | Substantial Assurance  | N/A                                  | 3 Low   | Reported Quarter 2   |
| Leisure Facilities               | In progress   |                        |                                      |   |  |
| NDR                              | Draft         |                        |                                      |   |  |
| Housing – Repairs and Void Works | Final         | Satisfactory Assurance | ↑                                    | 9 Medium<br>3 Low   | Reported Quarter 2   |
| Planning                         | In progress   |                        |                                      |   |  |
| Corporate Governance             | Final         | Substantial            | ↔                                    | 3 Medium<br>2 Low   | The Framework <i>Delivering Good Governance In Local Government</i> was designed to help local government in taking responsibility for developing and shaping an informed approach to governance. The overall aim is to ensure that:   |

| Audit Review             | Report Status | Overall Opinion | Direction of travel since last audit | No. of Findings & Remedial Action Agreed (High Risk only) | Summary (where completed within this quarter)  |
|--------------------------|---------------|-----------------|--------------------------------------|---|--|
|                          |               |                 |                                      |   | <ul style="list-style-type: none"> <li>• resources are directed in accordance with agreed policy and according to priorities</li> <li>• that there is sound and inclusive decision making</li> <li>• and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities</li> </ul> <p>The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and also by comments made by the external auditors and other review agencies and inspectorates.</p> <p>The scope of the audit included a review of the following seven core principles of good governance from Delivering Good Governance in Local Government Framework (CIPFA/Solace 2016)</p> <p>Improvements have been made since the last audit and remedial action has been agreed for all audit findings.</p> <p>A full copy of this report was emailed to all members of the committee on 11<sup>th</sup> January 2022.</p> |
| Equalities and Diversity | Final         | Satisfactory    | ↔                                    | 2 Medium  | <p>Under the Equality Act 2010, public sector organisations have an equality duty. The Equality Duty ensures that public bodies consider the needs of all individuals in their day to day work – in shaping policy, in delivering services, and in relation to their own employees.</p> <p>The scope of the audit included:</p> <p>To review the implementation of the EQIA procedures:</p> <ul style="list-style-type: none"> <li>• are report writers aware of and do they understand the procedures?</li> <li>• do they have the necessary skills and training to either produce EQIAs of a good standard or to be able to interrogate and challenge the information provided?</li> </ul> <p>To identify projects and policies from committee minutes and published decisions, and to check that where applicable:</p>  |

| Audit Review                                       | Report Status | Overall Opinion | Direction of travel since last audit | No. of Findings & Remedial Action Agreed (High Risk only) | Summary (where completed within this quarter)   |
|--|---------------|-----------------|--------------------------------------|---|---|
|  |               |                 |                                      |   | <ul style="list-style-type: none"> <li>• an equalities impact assessment (EQIA) has been undertaken</li> <li>• appropriate action has been taken to address issues raised in the EQIA</li> </ul> <p>Since the last audit there appears to be a greater awareness of equality and diversity issues amongst staff with adequate EQIAs being completed for two thirds of the cases checked. It is pleasing to note that an Equalities Champion group was formed in April 2021 which should help promote the equality and diversity agenda across the Council and enable any issues to be identified and appropriate action to be taken to resolve them. Also, the planned roll out of further training to staff (including general awareness to all staff) should help to ensure that equality and diversity is considered when decisions are made and adequate EQIAs produced.</p> <p>Remedial action has been agreed for all audit findings.</p> |
| Risk Management                                    | On going      |                 |                                      |   |   |
| Information Governance                             |               |                 |                                      |   |   |
| Counter Fraud                                      | Draft         |                 |                                      |   |   |
| Partnerships                                       | In progress   |                 |                                      |   |   |
| Contract Management                                |               |                 |                                      |   | Audit of contract management has been incorporated into the wider audits of Housing, which incorporated the Mears Contract and also the Fleet audit.  |
| Community Grants Awarded                           | Draft report  |                 |                                      |   |   |
| Commercialisation and project management           | In progress   |                 |                                      |   |   |
| Climate change/Carbon Neutral                      | In progress   |                 |                                      |   |   |
| Pandemic related issues/grants post assurance etc. | In progress   | N/A             | N/A                                  |   | Seven reports have been issued to date covering 6 business grants schemes and the Loss of Income grant claim 3. No issues of concern identified to date   |
| Review of hospitality/disclosures                  |               |                 |                                      |   |   |

| 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) |
|----------------------------|---------------|-----------------|--------------------------------------|---|---|
| Disabled Facilities Grants | Final         | Substantial     | ↔                                    | 2 Medium<br>2 Low   | Reported Quarter 1.                           |

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**PROGRESS REPORT ON SIGNIFICANT GOVERNANCE ISSUES IDENTIFIED IN THE ANNUAL GOVERNANCE STATEMENT 2020-21**

| AGS Issue No. | Issue identified  | Responsible Officer        | Summary of action proposed   | Update Sept 2021   | Update December 2021   | Update March 2022   | Notes |
|---------------|---|----------------------------|--|--|--|---|-------|
| 1             | Financial position - 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.  | Director Finance           | 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. The Council is setting aside funds to mitigate ongoing impacts on income to protect against a further emergency budget being required in 2021-22.   | The first quarter budget monitoring report will be presented to Executive and Council in October. At this stage, it is projected that the income shortfall will be well within the amount set aside to protect the Council's financial position. | The actions taken to mitigate the risk are assessed as being adequate. The Council is on track to maintain a balanced budget in 2021-22, whilst using only part of the funds set aside to protect the Council's financial position.  |   |       |
| 2             | Information security in the expanded work environment - The rapid widespread shift to homeworking amid national lockdowns in 2020 brought with it a unique data security challenge. Lacking personal interaction, staff can be more susceptible to social engineering ploys as they cannot immediately sense-check emails with nearby co-workers. Given that the Council is likely to keep a greater degree of remote and flexible working arrangements in place going forward, it is more important than ever that information security culture is promoted throughout every level of the organisation to raise awareness and ensure the integrity of staff behaviour.   | Information Security Forum | Information Security Forum to look at: <ul style="list-style-type: none"> <li>• how the newly expanded work environment has impacted information security controls in different parts of the organisation and update the Information Security Risk Register accordingly</li> <li>• how best to raise staff awareness of key information security threats and provide guidance on what staff should look out for</li> <li>• whether staff information security training needs to be updated in light of changes to the working environment and IT infrastructure.</li> </ul>  | Audit Manager is due to meet with Corporate Manager Executive Support as the Council's Senior Information Risk Owner (SIRO) to discuss and agree an action plan for this issue   | The Council's insurer, Zurich Municipal to undertake an Information Governance Health Check with a focus on the usage, treatment and storage of data across the Council.   | As part of the 'One Exeter' project, the Council will be moving to the Microsoft 365 environment as the enabling technology to underpin the transformation programme. Among other things, this move will help safeguard business data with built-in security features, defend against cyberthreats, make customer data more secure and help improve device security. The technology is currently being trialled by Teignbridge DC before being rolled out to Exeter and East Devon. |       |
| 3             | Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake up of operations and control systems. These factors include the following: <ul style="list-style-type: none"> <li>• response to the global pandemic</li> <li>• recovery from the global pandemic</li> <li>• external factors e.g. regulatory change and compliance, climate change</li> <li>• internal factors e.g. Organisational Development plan to deliver the digitalisation/transformation of service delivery, bringing Leisure in-house</li> </ul> | Audit Managers             | The Audit Plan 2021/22 approved by Audit & Governance in March 2021 will continue to be flexible with updates/changes to the plan reported quarterly to enable the Audit Manager to respond to emerging issues. Audit Manager to provide advice and guidance/support to the Organisational Development Project Group to ensure that an adequate control environment continues to be in place throughout the transformation period. The Audit Plan 2021/22 includes time for a review of the new in-house leisure service. The Deputy Chief Executive has been tasked with leading the transformation Programme and has set up a dedicated team to address the ambitious program. | No further updates at this stage.  | The Organisational Change Programme, One Exeter, has identified a number of strands of work including: <ul style="list-style-type: none"> <li>- Customer Process</li> <li>- Workforce Plan</li> <li>- Wellbeing</li> <li>- Workplace</li> <li>- Organisation Structure</li> <li>- Culture and Leadership</li> </ul> As part of OMB, the Audit Manager will be involved in a number of these workstreams to ensure that an adequate control environment is maintained throughout this lifetime of this programme. | The Internal Audit Managers are involved in the One Exeter work streams. Internal Audit's involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program.  |       |

| AGS Issue No. | Issue identified  | Responsible Officer | Summary of action proposed  | Update Sept 2021   | Update December 2021  | Update March 2022  | Notes |
|---------------|---|---------------------|---|--|---|--|-------|
| 4             | <p>Increase in commercial activity – Councils have both a legal and a moral duty to manage scarce resources responsibly. With the uncertainty surrounding Brexit and ongoing funding struggles, councils need to take a place based approach to choosing the most prudent commercial options and ensure that appropriate checks and balances are in place to manage the associated risks. High profile public interest reports and recent organisational reviews show some common themes and issues among councils undertaking commercial activities. The potential for issues can generally be linked to organisational governance, leadership, capacity, financial stability, and culture, including:</p> <ul style="list-style-type: none"> <li>• a lack of understanding of roles and responsibilities</li> <li>• a lack of skills around commercial decision making</li> <li>• an optimism bias that does not reflect the true position</li> <li>• a lack of strategic rationale surrounding the creation of companies</li> <li>• a reluctance to listen to challenges.</li> </ul> <p>Whilst the issues detailed above have not specifically been identified by this Council, it is important that the potential risks are fully understood at the outset when entering into any new commercial activity and that the Council's commercialisation policies and procedures both recognise these risks and ensures put effective controls in place to minimise them.</p> | Audit Managers      | Internal Audit are in the process of conducting a review of the commercialisation process and will be issuing a report, identifying areas for improvement, in the near future. Additional guidance on council-owned companies will be issued by CIPFA in the autumn. The Audit Manager will review this guidance and, where necessary, make recommendations on how the current process may be improved.   | An audit report has been issued and some areas of improvement identified. Remedial action has been agreed for all findings and the Commercialisation Manager will be taking action to implement the agreed changes. Internal Audit will conduct a follow-up in 2022. | No further update at this time.   | An audit follow-up has started and findings will be reported.  |       |
| 5             | <p>Bribery, fraud and other financial crime – The global pandemic resulted in a reduction to the planned audit programme during 2020/21 due to the redeployment and furloughing of staff and the prioritisation of the payment of business support grants. This reduction in the compliance resource increases the risk of both internal and external fraud. In addition, historically, grant schemes always attract individuals hoping to exploit the system and with numerous government Business Support grants schemes which were introduced and paid out 'at pace' this risk has also further increased.</p>   | Audit Managers      | Audit Manager worked with Directors and Service Leads to identify and prioritise high risk audits within the plan with the remaining audits deferred to the 20221/22 plan. This prioritisation has enabled the Audit Manager to provide some assurance on the control environment in place throughout this period. The Audit Plan 2021/22 approved by Audit & Governance in March 2021 will continue to be flexible with updates/changes to the plan report quarterly to enable the Audit Manager to respond to emerging issues. Audit Manager has completed a risk assessment on behalf of the Council, to assess the level of risk the Council may be exposed to as a result of administering all of the business support grants, which has been submitted to government. Based on the risk assessment submitted, the government requested the necessary evidence to support the payment of a sample of grants as required by the Post Payment Assurance – Verification process. Internal Audit are in the process of undertaking post award assurance checking, following guidance issued by the government, for each scheme type. | The audit plan will continue to be reviewed to ensure that it meets the assurance needs of the Council. Post assurance work for the Covid business grants continues.   | The majority of post award assurance work has now been completed on the 8 different business grant schemes open to businesses as a result of the global pandemic, with 1 schemes still outstanding. | Internal Audit will continue to provide post assurance work as needed. The Government has announced further grant funding support for businesses as a result of the impact of the Covid19 Omicron variant. |       |

## REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 9 MARCH 2022

Report of: Director Finance

Title: CODE OF CORPORATE GOVERNANCE – 2022/23

Is this a Key Decision?

No

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

Is this an Executive or Council Function?

Council

### 1. What is the report about?

1.1 The report sets out the proposed Code of Corporate Governance to reflect the updated principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016).

### 2. Recommendations:

It is recommended that:

2.1 Audit and Governance Committee supports and Council approves the Code of Corporate Governance for 2022/23.

### 3. Reasons for the recommendation:

3.1 The Council is required to prepare and publish an Annual Governance Statement by Regulation 4 of the Accounts and Audit (England) Regulations 2011. It reports on the Council's performance against the Code of Corporate Governance. It is best practice to review and update the Code annually.

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

4.1 There are no resource implications contained within the report.

### 5. Section 151 Officer comments:

5.1 The production of the Code of Corporate Governance is considered best practice. However the requirement to produce an Annual Governance Statement, which reports on the Council's performance with reference to the Code is a statutory requirement.

### 6. What are the legal aspects?

6.1 The Annual Governance Statement, which reports on performance against the Code of Corporate Governance, is in place in order to support the obligation to comply with Regulation 4 of the Accounts and Audit (England) Regulations 2015 concerning the statutory obligations to maintain accounting records and financial control systems.

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

- 7.1 Corporate Governance is the term used to describe the system by which Local Authorities direct and control their functions and relate to their communities. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. The Code of Corporate Governance sets out the Governance Framework and illustrates the key documents and processes it has in place to support the delivery of good governance across the Council.

The Code of Corporate Governance sets out the principles of good governance and what arrangements it has in place to ensure that the Council conducts its business in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

## **8. Report details:**

- 8.1 The Code of Corporate Governance is required to be updated annually. The updated Code is attached at Appendix A.
- 8.2 The code has been updated to reflect the new principles set by CIPFA/SOLACE and the opportunity has been taken to present it more in line with the Annual Governance Statement that reports on the Council's performance. There are no significant changes to the code this year.

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

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

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

- 10.1 There are no direct risks associated with this report

## **EQUALITY ACT 2010 (THE ACT)**

- 11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:
- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
  - advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
  - foster good relations between people by tackling prejudice and promoting understanding.
- 11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.
- 11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers),

sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

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

11.4.1 The report sets out a framework that does not directly impact on people.

### **CARBON FOOTPRINT (ENVIRONMENTAL) IMPLICATIONS:**

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

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

13.1 Not applicable

### **Director Finance**

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

**Background papers used in compiling this report:-**

None

Contact for enquires:

Democratic Services (Committees)

01392 265115

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**Exeter City Council**

# Code of Corporate Governance

2022-23

## Scope of Responsibility

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

In addition to meeting statutory obligations and organisational objectives, the Council's governance framework is required to meet the following seven principles of good governance:

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk. The Council has approved and adopted this Code of Corporate Governance, which is consistent with the principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016) and which identifies the systems, processes and documents that contribute to the Council's governance arrangements

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## The Purpose of the Governance Framework

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

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

# Corporate Governance Framework

Meeting Statutory Obligations

Behaving with integrity

Defining outcomes

Developing the Council's capacity

Delivering effective accountability

Meeting Organisational Objectives

Ensuring openness

Determining interventions

Managing risk and performance

The Council's commitment to good governance based on the requirement to meet statutory obligations, organisational objectives and is based on the seven principles of Delivering Good Governance in Local Government Framework (CIPFA/Solace 2016)

## Regulatory

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

## Corporate

Corporate Work Programme  
 Corporate Plan  
 Risk Management Policy & procedures  
 Business Continuity Policy & Plans  
 Corporate Risk Register  
 Performance Management framework  
 Corporate Complaints Procedure  
 Exeter Community Strategy  
 Exeter Community Forum  
 Surveys/Focus Groups  
 Exeter Citizen  
 Record of public consultations  
 Equalities and Diversity Policy  
 Access to Information Policy  
 FOI Publication Scheme  
 Website transparency pages  
 Information Governance Framework  
 Information Security Policy  
 Partnership Guidance

## Finance

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

## HR Policies

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

## Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and also by comments made by the external auditors and other review agencies and inspectorates.

The processes for maintaining and reviewing the effectiveness of the governance framework are:

- Executive is responsible for considering overall financial and performance management and receives comprehensive reports throughout the year;
- Strategic Scrutiny Committee monitors the overall strategic financial position of the Council;
- Audit & Governance Committee monitors the effectiveness of risk management, Internal Audit and the system of internal control. Budget monitoring reports are also presented quarterly to the Customer Focus Scrutiny Committee;
- Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks and cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks are reported on a quarterly basis to the Audit & Governance Committee;
- The Monitoring Officer provides assurance that the Council has complied with its statutory and regulatory obligations;
- Annual reviews of the Council's financial accounts and records by the External Auditors leading to their opinion as published in the year-end statements;
- Ongoing reviews of strategic and operational risks in each service area and the conduct of risk analysis and management in respect of major projects undertaken by the Council;
- Reviews and, where appropriate, updates of the Council's Financial Regulations and Standing Orders

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## Date of next review

The Code of Corporate Governance will be reviewed annually by the Section 151 Officer in consultation with the Executive Support Unit and presented to the meeting of the Audit & Governance Committee in March 2023.

## REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 09 MARCH 2022

Report of: Chief Executive & Growth Director

Title: Corporate Risk Register

### Is this a Key Decision?

No

### Is this an Executive or council function?

Risk management is a Council function.

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

### 1. What is the report about?

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

### 2. Recommendations:

- 2.1 That the Committee reviews and notes 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 The key financial risks facing the Council are addressed in this report. The financial position risk has been updated to reflect the passing of the 2022-23 budget. The risk will continue to be assessed as the new fair funding formula is consulted on this year.

### 6. What are the legal aspects?

- 6.1 None identified.

### 7. Monitoring Officer's comments:

- 7.1 Corporate risk are potential barriers to the council achieving its priorities. The purpose of the risk register is to identify potential risk using organisation knowledge of both the

internal and external environment and then implement a strategy to reduce the likelihood or impact of those risks.

Risk management is a key element of our corporate governance and Members should feel confident that our risk strategy is such that it will strengthen our ability to achieve our corporate objectives and priorities.

## **8. Report details:**

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

8.2 An update on each risk can be found in the tracking notes and monitoring section of the Corporate Risk Register (Appendix A)

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

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

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

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

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

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

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

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

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

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

11.4.1 The report does not set policy.

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

12.1 Not applicable

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

13.1 Not applicable.

**Chief Executive & Growth Director**

Authors Helen Kelvey/Helen Putt  
Audit Managers

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

Contact for enquires:  
Democratic Services (Committees)  
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# Corporate Risk Register

Review Month: **March 2022**

| Ref  | 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 |
|--|--|--|---------------|--------|------------|--|---------------|--------|------------|--|----------------------------|
|  |  |  | L'hood        | Impact | Risk Score |  | L'hood        | Impact | Risk Score |  |                            |
| 1  | <p><b>Failure to deliver anticipated benefits of major projects</b></p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>- Failure to procure appropriate operator for leisure centre</li> <li>- Adverse weather / other delays typical of such projects</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>- Increased costs to Council from project overspends or overruns</li> <li>- Not realising financial and cultural benefits anticipated from project delivery</li> <li>- Damage to Council's reputation and reduced credibility to deliver major projects in future</li> </ul> |  |               |        |            |  |               |        |            |  |                            |
| Page 97  | October 2017   | JP Hedge - Director Culture, Leisure and Tourism | 3             | 3      | 9          | <ul style="list-style-type: none"> <li>- Recruited experienced Project Manager, Quantity Surveyor and delivery team</li> <li>- Established high level Programme Board to oversee progress and delivery</li> <li>- Contractor appointed to build the facility, following a 2 stage collaborative approach in procurement.</li> <li>- Fixed price Design &amp; Build Contract, with a limited amount of Provisional Sums.</li> <li>- Technical Assurance &amp; Audit team has been 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.</li> </ul> | 2             | 3      | 6          | - Ongoing reporting of progress and potential issues to Client lead. | Ongoing<br><br>April 2022  |
| <p><b>Tracking Notes and Monitoring:</b></p> <p><b>December 2021</b> - no further update</p> <p><b>March 2022</b> - The Bus station was completed to schedule and budget and is operational. It is anticipated the opening date for SSP will be known and made public at the time the risk register is published. Risk currently lies between ensuring practical completion takes place in a timely manner so the centre generates income, and taking a building with potentially significant snagging still to be completed. The technical assurance team are mitigating this risk. Delays and costs due to covid will be reported to council once a resolution is finalised.</p> |  |  |               |        |            |  |               |        |            |  |                            |

# Corporate Risk Register

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|--|--|------------------------------------|---------------|--------|------------|---|---------------|--------|------------|---|----------------------------|
|  |  |                                    | L'hood        | Impact | Risk Score |   | L'hood        | Impact | Risk Score |   |                            |
| 2  | <b>Insufficient business continuity arrangements to recover critical services effectively</b><br><br><u>Potential Causes:</u><br>- Critical services not identified<br>- Insufficient plans in place to recover critical services<br>- Lack of testing of plans to ensure arrangements suitable<br><br><u>Potential Impacts:</u><br>- Essential services not recovered in timely fashion<br>- Adverse media and public criticism leading to lack of trust in council<br>- Non compliance with Civil Contingency Plan |                                    |               |        |            |   |               |        |            |   |                            |
| Page 98  | April 2013   | Karime Hassan<br>- Chief Executive | 3             | 4      | 12         | - List of critical services agreed with SMB<br>- Corporate Business Continuity Plan approved by SMB which sets out roles and responses to certain events (loss of building, loss of ICT etc.)<br>- IT Disaster Recovery Plan in place<br>- Business Continuity plans developed for all L10Critical services<br><br>- Review of BCM undertaken by Internal Audit following implementation of plans in response to the Covid19 pandemic. Review focused on what worked well and what didn't work so well with a view to ensuring the plan is fit for purpose moving forward. This report is with SMB. | 2             | 3      | 6          | - Regularly review business continuity plans to ensure they are fit for purpose<br>- Business continuity testing to be carried out in line with corporate policy. | Ongoing<br><br>March 2022  |
| <b>Tracking Notes and Monitoring:</b><br><br><b>December 2021:</b><br>Business Continuity Plans have generally worked well throughout the Covid-19 pandemic and have been a vital part of our response. One potential area of weakness is our over reliance on the enthusiasm and goodwill of our staff to respond to emergency incidents. Whilst they have always been willing to step up, a more formal system of standby and call out would ensure consistent coverage and allow for relieving key staff when they've worked a full shift. A full review of our emergency procedures which will identify the roles required for a formal standby rota will be completed when resources allow in the new year.<br><br><b>March 2022:</b><br>No further update received |  |                                    |               |        |            |   |               |        |            |   |                            |

# Corporate Risk Register

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|--|--|------------|---------------|--------|---|---|---------------|--------|--|---|----------------------------|
|  |  |            | L'hood        | Impact | Risk Score  |   | L'hood        | Impact | Risk Score   |   |                            |
| 3  | <p><b>Inability to deliver carbon neutral aspirations for Exeter by 2030</b></p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>- Financial pressure and economics of carbon reduction</li> <li>- Behavioural challenges over influencing businesses and public</li> <li>- Technical capability to deliver</li> <li>- Lack of control over all stakeholders (businesses, visitors etc.)</li> <li>- Political environment and acceptance of policy changes required</li> <li>- Misalignment with Devon Climate Plan</li> <li>- Failure to engage with resident and business of Exeter to ensure solutions proposed meet real need</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>- Reputational</li> <li>- Failure to deliver inclusive growth and retain vibrancy of Exeter as a great place to live</li> <li>- Conflict within Region</li> <li>- Short term changes may not be sustainable</li> </ul> |            |               |        |   |   |               |        |  |   |                            |
| 08.11.19   | Executive  | 4          | 3             | 12     | <ul style="list-style-type: none"> <li>- Strategic partnerships</li> <li>- 12 Goals defined for the city to provide framework for carbon neutral. Goals reflect priorities of business and residents</li> <li>- Plans in place to develop roadmap for carbon neutral 2030</li> <li>- Other major public sector organisations have already committed to becoming carbon neutral (e.g. University of Exeter, Devon County Council)-</li> <li>- SWEEG have been appointed to start work on the City Council Carbon Action Plan following on from the successful carbon baseline study. This will examine our carbon production at a service level and provide practical actions and measures to reduce our production to net zero by changing the way we work or offsetting. Work is continuing on bringing forward proposals for resources to deliver the carbon net zero programme.</li> </ul> | 4   | 3             | 12     | <ul style="list-style-type: none"> <li>- Continue to invest in supporting ECF as a partner organisation to ensure that the ambition to be net-zero is continually communicated and residents and businesses are engaged; ensuring all voices are heard and the solution being developed are benefitting the residents and business.</li> <li>- Improve national communication positioning Exeter as a leading sustainable City highlighting what we are doing - through ECF and Livable Exeter activities</li> <li>- Ensure clear alignment with DERG and national climate action plans to ensure Exeter's plan is incorporated</li> </ul> | Apr-30  |                            |
| <p><b>Tracking Notes and Monitoring:</b></p> <p><b>March 2022:</b><br/> Council has now agreed that the CE and Director for City Transformation shall be deployed on the programme in support of leading the work of Exeter City Futures in pursuing the Net Zero Exeter Plan. The Net Zero Plan has a number of themes that reflect the wide ranging actions that will need to be pursued to meet a net zero goal. The Council has now met the SWEEG to procure a carbon model of the current baseline emissions for the city and this will help us identify the progress being made by the city and the trajectory relative to the goal of meeting a net zero Exeter. This work adds to the work already commissioned by the city council for its own operations. The work of Exeter City Futures supports a range of initiatives including supporting communities and developing appropriate tool kits, bringing together a range of partners to pursue challenging transport objectives, ranging from supporting travel plans, electric buses and fleet, and EV charging infrastructure, retrofit of domestic and commercial properties, supporting research and innovation in the areas of renewables and alternative approaches to funding development in pursuance of the goal of net zero. This work supports the work that is already being delivered by our institutions and it ensures greater collaboration and opportunities to learn and support each other.</p> |  |            |               |        |   |   |               |        |  |   |                            |

# Corporate Risk Register

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|---|--|-------------------------|---------------|--------|------------|---|---------------|--------|------------|---|----------------------------|
|   |  |                         | L'hood        | Impact | Risk Score |   | L'hood        | Impact | Risk Score |   |                            |
| 4   | <p><b>Failure to meet Exeter's Housing supply needs as a planning authority and meet strategic 5 years ambitions</b></p> <p>Potential Causes:</p> <ul style="list-style-type: none"> <li>- Inadequate Land supply</li> <li>- Not granted enough planning permissions</li> <li>- Student development cannot be included in housing supply figures</li> <li>- House builders drip feeding</li> <li>- Political / community buy in to developments</li> <li>- Exeter Local Plan not progressing quickly enough, encounters delays in programme, or is delayed by external factors such as changes to the Planning system or though protracted discussions with neighbouring authorities re region wide issues.</li> </ul> <p>Potential Impacts:</p> <ul style="list-style-type: none"> <li>- Vulnerability to development coming forwards/gaining consent which is not in keeping with the character of the city and which may be contrary to strategic ambitions - such as the 2040 Vision or net-zero commitment.</li> <li>- Financial risks with increased appeals, and potentially lost income</li> <li>- Social outcomes - inequality, rising social service costs - significant waiting list</li> <li>- Reputational impact if development on not appropriate location</li> </ul> |                         |               |        |            |   |               |        |            |   |                            |
| Page 100  | June 2013  | Bindu Arjoon - Director | 4             | 3      | 12         | <ul style="list-style-type: none"> <li>- Brownfield opportunities identified and developed into the Liveable Exeter strategy</li> <li>- The Liveable Exeter programme has secured further funding to support work on the Liveable programme</li> <li>- Higher density developments being encouraged within the city centre.</li> <li>- Social Housing being developed following the lifting of borrowing cap-ambition for 500 homes over 10 years'</li> <li>- Appropriately briefing members to ensure robust decision making processes</li> <li>- The Council is currently able to demonstrate a housing land supply of 4 years and 8 months against the 5 year requirement</li> </ul> | 3             | 2      | 6          | <ul style="list-style-type: none"> <li>- The Local plan is continuing to progress with a timetable now established and the statement of community involvement developing. The first statutory stage of public consultation on the Local Plan was completed in November 2021 (Regulation 18 Issues Consultation)</li> <li>- Selling positive image of high quality high density brownfield developments through the Liveable Exeter programme.</li> <li>- using existing planning policy to resist inappropriate development proposals in order to continue to protect the character and beauty of the city.</li> <li>- regular updating of the 5 year land supply position in order to closely monitor land supply in the city</li> </ul> | Ongoing                    |
| <p><b>Tracking Notes and Monitoring:</b></p> <p><b>March 2022:</b></p> <p>The Planning Inspector for the Pennsylvania Road appeal (held November 2021) has concluded that the Council is able to demonstrate a housing supply of 4 years and 8 months. Since that appeal decision was received, a further appeal has been held for Land at Redhills. At that appeal hearing, the Council argued that it is now able to demonstrate a 5 year housing supply due to the granting of planning consents since November 2021. However, until the Redhills appeal decision is received, the Council must accept that it cannot demonstrate a 5 housing supply for development management purposes."</p> |  |                         |               |        |            |   |               |        |            |   |                            |

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|--|---|-----------------|---------------|--------|------------|---|---------------|--------|------------|--|----------------------------|
|  |   |                 | L'hood        | Impact | Risk Score |   | L'hood        | Impact | Risk Score |  |                            |
| 5  | <p><b>Failure to adapt council workforce to ensure appropriate skills and experience</b></p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>- Ageing workforce (half of staff over 50, considerable enough)</li> <li>- Difficulty to recruit into key areas - professional areas (planners, lawyers)</li> <li>- Empowerment, skills and engagement of managers to enable this change</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>- Loss of experience</li> <li>- Increased spending on agency workers</li> <li>- Not having cost effective council services delivering the right outcomes</li> <li>- Service disruption</li> <li>- Cost of appeals / challenges across the council services</li> <li>- Increased stress / pressure on workforce</li> </ul> |                 |               |        |            |   |               |        |            |  |                            |
| Page 101   | June 2019   | Baan Al-Khafaji | 3             | 3      | 9          | <ul style="list-style-type: none"> <li>- Market supplement scheme in place</li> <li>- Apprenticeship opportunities for new and existing staff</li> <li>- Employing part qualified staff and training them (internal and external) - procurement, planning etc.</li> <li>- Improvements in metric tracking (age, gender, skills profiles)</li> <li>- Business Partnering model allowing for greater collaboration between service areas and HR</li> <li>- Metrics reported to SMB</li> </ul> | 2             | 3      | 6          | <ul style="list-style-type: none"> <li>- Ensure robust implementation of new workforce planning process (local mgmt team led)</li> <li>- Utilising agile program to compliment modernisation of work environment</li> <li>- Review of progress against GDR.</li> </ul> | Ongoing                    |
| <p><b>Tracking Notes and Monitoring:</b></p> <p><b>December 2021:</b> No further update</p> <p><b>March 2022:</b> No further update received</p> |   |                 |               |        |            |   |               |        |            |  |                            |

# Corporate Risk Register

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|---|---|---------------------------------|---------------|--------|------------|---|---------------|--------|------------|---|----------------------------|
|   |   |                                 | L'hood        | Impact | Risk Score |   | L'hood        | Impact | Risk Score |   |                            |
| 6   | <b>Maintaining the Financial Sustainability of the Council</b>  |                                 |               |        |            |   |               |        |            |   |                            |
|   | <p>Potential Causes:</p> <ul style="list-style-type: none"> <li>- Fair funding review from central government involving rebaselining of business rates (income loss of £2.5m per annum) and determination of a new formula which could have funding implications.</li> <li>- Inability to deliver £6m savings target over three year period</li> <li>- Move to 75% business rate retention rather than government grant increases volatility of income and dependence upon growing local economy and business rates.</li> <li>- Inability to grow Exeter city centre and associated business rates etc.</li> <li>- Policy, regulatory or legislative changes which are not fully funded from central govt.</li> <li>- Failure to realise commercial ambitions of council</li> </ul> <p>Potential Impacts:</p> <ul style="list-style-type: none"> <li>- unable to balance budget</li> <li>- reduced income for council services</li> <li>- larger than anticipated cuts (in year or over longer term)</li> <li>- reduction in reserves</li> <li>- impacts on council services and therefore resident outcomes</li> </ul> |                                 |               |        |            |   |               |        |            |   |                            |
|   | January 2018  | Dave Hodgson - Director Finance | 4             | 4      | 16         | <ul style="list-style-type: none"> <li>- Detailed MTFP assessed and agreed with Members</li> <li>- savings plan agreed and being implemented with suitable governance arrangements in place.</li> <li>- Budget for 2021-22 agreed with significant reserves to protect against Covid related income losses.</li> <li>- Significant investment in city centre regeneration (st sidewall's point &amp; bus station) including developing a new vision for the rest of the site which includes mixed use</li> <li>- Business Development manager extended to continue to identify and grow commercial opportunities</li> <li>- Strong level of unringfenced general fund reserves to protect against shocks</li> </ul> | 2             | 4      | 8          | <ul style="list-style-type: none"> <li>- Continue to respond to consultations making case for council</li> <li>- Lobby government for relaxation of council tax increase restrictions</li> <li>- Further development of role and scope of business development manager position</li> <li>- The emergency budget and subsequent government support in respect of compensation schemes for income losses has enabled the Council to set aside funds to protect against further income losses as a result of continued restrictions in place to protect against Covid. The Council has a clear strategy to address the £6m savings required, although the exact timing of Government decisions around Business Rates and New Homes Bonus remains uncertain.</li> </ul> | Dec-22                     |
| <p><b>Tracking Notes and Monitoring:</b></p> <p><b>December 2021:</b><br/>The Comprehensive Spending Review and subsequent communication from DLUHC (formerly MHCLG) indicates that there will be a one year rollover settlement for Councils in 2022-23 with the review of funding then taking place. This is in line with the expectations currently being worked to in response to the shortfall indicated in the MTFP.</p> <p><b>March 2022:</b> The 2022-23 budget has been passed and delivered the first stage of reductions required. The consultation on Fair funding formula is expected to restart this year and the Council will respond, making its case. One Exeter work is continuing.</p> |   |                                 |               |        |            |   |               |        |            |   |                            |

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|-----|---|---------------------------------|---------------|--------|------------|---|---------------|--------|------------|---|----------------------------|
|     |   |                                 | L'hood        | Impact | Risk Score |   | L'hood        | Impact | Risk Score |   |                            |
| 7   | <b>Increased cost of all capital building Projects</b>  |                                 |               |        |            |   |               |        |            |   |                            |
|     | <p>Potential Causes:</p> <ul style="list-style-type: none"> <li>- There will be increased costs as a direct result of actions required to manage the new risks associated with COVID 19 risk</li> <li>- Shortages of materials and labour causing delay and increased costs across the capital programme.</li> </ul> <p>Potential impacts</p> <ul style="list-style-type: none"> <li>- Increased costs to Council</li> <li>- Delay in all projects, predominantly St Sidwell's Point and the resulting loss of income and also the condition survey projects, leading to prolonged periods of buildings being below the standard the Council is aiming for.</li> </ul>  |                                 |               |        |            |   |               |        |            |   |                            |
|     | August 2021   | Dave Hodgson - Director Finance | 4             | 4      | 16         | The global economic impacts are difficult to mitigate. Members may need to reprioritise, accept higher tender costs or delay the capital programme. Those projects already underway will see additional costs | 4             | 4      | 16         | Review timing of existing capital programme         | Feb-23                     |
|     | <p><b>Tracking Notes and Monitoring:</b></p> <p><b>December 2021 :</b> As has been widely reported, cost inflation has grown significantly in construction. In addition to the specific challenges facing St Sidwell's Point and the Bus Station, this pressure is applying to the wider capital programme, particularly, but not limited to, the £37 million condition survey programme. As the financial impact is potentially significant, the risk previously reported in respect of St Sidwell's Point is being expanded to include the whole capital programme.</p> <p><b>March 2022:</b> The challenges continue and the risk has been extended for the next financial year. Any specific issues will be reported to Council as required.</p>  |                                 |               |        |            |   |               |        |            |   |                            |
| 8   | <b>Failure to deliver the Liveable Exeter Programme</b>   |                                 |               |        |            |   |               |        |            |   |                            |
|     | <p>Potential Causes:</p> <ul style="list-style-type: none"> <li>- a challenge to the viability of development</li> <li>- inadequate funding for brownfield land regeneration</li> <li>- lack of staff resources to support the work</li> <li>- inability to address complex land assembly and infrastructure challenges</li> <li>- significant abnormal costs associated with this type of programme</li> </ul> <p>Potential impacts</p> <ul style="list-style-type: none"> <li>- increased costs to the Council</li> <li>- carbon neutral not achieved by 2030</li> <li>- city housing needs not met by 2040</li> <li>- new communities not created</li> <li>- active and accessible city aspirations not met</li> <li>- new homes do not meet Garden City principles</li> <li>- housing built in locations the council is seeking to avoid</li> </ul> |                                 |               |        |            |   |               |        |            |   |                            |

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|-----|----------------------|------------------------------------|---------------|--------|------------|---|---------------|--------|------------|---|----------------------------|
|     |                      |                                    | L'hood        | Impact | Risk Score |   | L'hood        | Impact | Risk Score |   |                            |
|     | Nov 21               | Karime Hassan<br>- Chief Executive | 4             | 4      | 16         | - brownfield land release fund in place<br>- examples of the strategic investment required are the housing infrastructure fund (HIF) and other strategic investment funds such as administered by One Public Estate and the Department for Levelling Up, Housing and Communities<br>- some funding has been secured on an annual basis from Homes England | 3             | 3      | 9          | work to be undertaken with One Public Eestate on the Exeter City Fund concept<br>- there needs to be a willingness to acquire land and property to move forward in a sensible phased programme including a willingness to compulsory purchase land<br>- need to step up the support commensurate with the scale and pace of development required<br>- new local plan that includes the vision and principles as part of the formal planning policy<br>- the Council adopts an enabling culture rather than relying on a regulatory culture<br>- Exeter City Living to lead by example<br>- Exeter Place Board to bring together the city's institutions to take ownership of the vision and aspirations and to work collectively on obstacles to delivery | Nov-24                     |

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**Tracking Notes and Monitoring:**

**March 2022:**

Brownfield Land Release Fund: Project management capacity brought in to support the programme monitoring. The individual sites are included in the Exeter City Living business Case. This is being considered by Council in March. Subject to approval of business case, this will give confidence on progressing work to submit planning applications.

Funding bids to support delivery of the Liveable Exeter programme have been made and a decision on the bids will be known shortly. This funding is important for the core delivery team.

Ian Collinson has been appointed Director of Planning & Development and will join the Council in April. This is an important step in progressing the programme.

LDA Design has been commissioned to produce a Marsh Barton development framework, this is a significant body of work that will inform the production of a development brief

DCC & ECC are progressing work on the development brief for Southgate and this will inform the production of a business case. This work is being led by DCC and is an important step in addressing the challenge of connecting Southernhay and the Quayside.

Work is being progressed on drafting a tender document to carry out a parking strategy for the city centre that will address the needs of the city centre, the ambitions on Net Zero and the implications for car parking, the council's aspirations for building homes and the revenue implications for the council. A number of housing proposals set out at high level in the Liveable Exeter Vision relate to council car parks and there is a need to have a strategy to assist decision makers when assessing redevelopment options.

Planning Member working Group has begun to look at an engagement strategy for the liveable Exeter programme.

The City Fund outline business case is in draft form and will be examined by Scrutiny Committee. This is a significant initiative that has implications for the funding of the programme and it is important that members gain an understanding of the model. Officers will continue to seek support from Homes England and Government for alternative ways of funding the programme.

Members will be aware of the Councils proposition to acquire land in the city centre to realise the long term ambition for Northgate.

Officers continue to approach land owners in key locations and to have dialogue with developers about bringing forward key sites in the programme and this is entirely what one would expect the Council to do if we are to demonstrate the programme is deliverable. Officers will normally bring to PMWG proposals that are being progressed under the programme.