

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 27 July 2022
Time: 5.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

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

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

Entry to the Civic Centre can be gained through the Customer Services Centre, Paris Street.

Membership -

Councillors Wardle (Chair), Moore, D (Deputy Chair), Allcock, Branston, Ellis-Jones, Leadbetter, Mitchell, M, Packham, Rees, Snow, Sutton 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 9 March 2022.

(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."

- | | | |
|-----------|--|----------------------|
| 5 | External Audit Progress Report and Sector Update
To consider the report of the Council's External Auditors – Grant Thornton. | (Pages 9 -
26) |
| 6 | External Audit Plan 2021/22
To consider the report of the Council's External Auditors - Grant Thornton. | (Pages 27
- 50) |
| 7 | Informing the Risk Assessment
To consider the report of the External Auditors – Grant Thornton. | |
| 8 | Annual Report of Internal Audit for the Year to 31 March 2022
To consider the report of the Audit Managers. | (Pages 51
- 76) |
| 9 | Review and Update of Whistleblowing Policy
To consider the report of the Audit Managers. | (Pages 77
- 88) |
| 10 | Annual Governance Statement 2021/22
To consider the report of the Director of Finance. | (Pages 89
- 102) |
| 11 | Homes England Compliance Audit
To receive the report of the Assistant Director Housing (CS) | (Pages
103 - 110) |
| 12 | Review of Corporate Governance Risk Register
To consider the report of the Chief Executive & Growth Director. | (Pages
111 - 124) |
| 13 | City Council Net Zero Risk Register
To consider the report of the Director Net Zero & City Management. | (Pages
125 - 134) |

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 28 September 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 9 March 2022

Present:-

Councillor Tony Wardle (Chair)

Councillors Atkinson, Begley, Jobson, Mitchell, M, Moore, D, Pearce, Sparkes and Warwick

Apologies:-

Councillors Hannaford, Martin and Quance

Also Present:-

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

Julie Masci Engagement Lead Grant Thornton (External Auditors)

1

MINUTES

The minutes of the meeting held on 1 December 2021 were taken as read, approved and signed by the Chair as correct.

2

DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

3

AUDIT FINDINGS REPORT 2020/21

The Engagement Lead, Grant Thornton presented the audit findings arising from the statutory audit of the Council's group and financial statements for the year ending 31 March 2021. The audit had been substantially completed and Grant Thornton were now able to proceed to issue an unqualified audit opinion for the authority as set out in Appendix D of the circulated report. Additional work, including around the Council's land and buildings valuation process had been raised, and an updated action plan at Appendix A had concluded those final areas of work. The Engagement Lead in responding to a Member's question, confirmed that the Value for Money element of the audit work would be concluded within six weeks, with a report presented to the next meeting.

The Engagement Lead responded to the following Members' questions:-

- timescales for future audit work would continue to be discussed with the Council's Strategic Management Board highlighting any further impact from the post scheduling of work from this year's Audit. Government have recognised the increased levels of work required in this regard and have arranged an emergency consultation to consider proposed cost base changes to avoid the need for formal land and building valuations. The statutory deadline for completion of accounts for the coming year has been extended until November 2022.
- an annual Disclosure of Interests made by the Council's senior officers, now required a nil return and would be completed by those officers with decision making capacity, which included from Service Lead up to Director and Chief Executive & Growth Director level.

The Audit and Governance Committee noted the report on Audit Findings from the Exeter City Council (External Auditor), Grant Thornton.

4

INTERNAL ANNUAL AUDIT PLAN 2022/23

The Audit Manager (HP) presented the annual Internal Audit Plan for 2022/23, attached as an appendix and presented to the meeting, which required Member approval. The report provided confirmation that the appropriate risk management matrix had been used to formulate the plan, with feedback received from the Council's Strategic Management Board on priorities and concerns as well as feedback from Members.

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

- the scope of the Health and Safety audit was agreed with the Health and Safety Group and covered all related processes and procedures and relevant legislation. They would be asked to consider the Clean and Safe Policy in relation to council housing, with a request to include all of the areas suggested by the Member.
- the scope of a Leisure audit covered the usual range of operations found in a leisure centre including health and safety and finance. An initial report had been produced for the Riverside Leisure Centre and future reports would be undertaken for each individual leisure centre.

The Director Finance clarified the role of Internal Audit and stated that monitoring of key financial controls were included to provide assurance about the internal control framework. Income would be a significant part of a leisure service audit, and whilst financial viability would be outside of the scope of internal audit work, it was included as a significant part of the One Exeter Programme.

- the audit for Sport England and Wellbeing Exeter included the governance arrangements, as well as providing assurance of the internal control environment and all financial aspects of the partnership which related to the City Council.

The Director Finance concluded that where any partners were spending their finances directly, the City Council had no authority to review their procedures, but any funding received through Exeter City Council and spent on behalf of the partners would be included within the audit.

A Member wished to thank Internal Audit for the important role undertaken for the Council.

RESOLVED that the Audit and Governance Committee approve the annual Internal Audit Plan for 2022/23.

5

INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (HP) presented the detail of Internal Audit work carried out during the period 1 October to 31 December 2021. A summary of progress against the Annual Audit Plan for 2021/22 was included at Appendix A to the report presented to the meeting, and an action plan of the governance issues identified had been included at Appendix B. Members were advised on the overall progress and that the Plan was on target with no significant issues associated with the audit

work undertaken throughout the year. Additional time had been allocated in the 2022/23 plan for a further follow up on the Equality and Diversity audit.

In response to a Member's question, relating to Appendix B and further clarification of the term 'enhanced process in relation to scrutiny' as detailed in the Internal Audit report on Corporate Governance, the Audit Manager advised that a copy of the report was emailed to Members on 11th January 2022. She sought approval to circulate a response to all Members of the Audit and Governance Committee.

RESOLVED that: the Internal Audit progress report for the third quarter of the year to 2021/22 be noted.

6

CODE OF CORPORATE GOVERNANCE 2022/23

The Director Finance presented the report, which set out an overview of the proposed Code of Corporate Governance for 2022/23, and confirmed there had been no changes this year to the Code. The document, which underpinned the Annual Governance Statement (AGS) set out the Governance arrangements for the Council, and performance against which is set out in the Annual Governance Statement which would be presented at the next meeting of the Audit and Governance Committee.

The Director Finance also responded to a number of issues raised by a Member which included potentially extending the scope of the work of the Code in relation to the governance arrangements and partnership working. He undertook to work together with Internal Audit throughout the year and would offer a further update of the Code, during the next financial year. The Chartered Institute of Public Finance and Accountancy (CIPFA) had recognised the need for more guidance around governance arrangements for local authority companies. A draft Internal Audit report on partnerships had included arrangements for more informal meetings, including the Council Housing and Development Advisory Group (CHAD) and the governance relationship with the Council's external partner companies. The Code of Corporate Governance offered statutory guidance, but there was always the opportunity to tailor that to need, and reflect that local authorities worked in ever more complicated ways and therefore considered that the arrangements were covered within the Code of Corporate guidance.

RECOMMENDED that the Audit and Governance Committee support and Council approve the Code of Corporate Governance for 2022/23.

7

REVIEW OF CORPORATE GOVERNANCE RISK REGISTER

The Audit Manager (HP) presented the report which advised the Audit and Governance Committee of the Council's risk management process and provided an update of the Corporate Risk Register to enable the Committee to monitor and review the Council's risks. There were no new risks added or deleted from the Risk Register during the last quarter, but updates had been provided from the Strategic Management Board (SMB).

The Director Finance replied to a Member's enquiry that a dedicated Net Zero Risk Register would be presented to this meeting. He confirmed that interviews had taken place recently and the team would be in place shortly. He anticipated that the Service Lead for Net Zero and her team would be in a position to report to the next meeting of the Audit and Governance Committee in July.

The Audit Manager presented the following responses to a Member's questions obtained from the lead officer associated with monitoring each risk.

- *Risk 2: Business Continuity:*

The Ukraine situation had escalated since the Council's Risk Register was reviewed and prepared. It was noted that adequate mitigation in respect of cyber-attacks had resulted in the removal from the Corporate Risk Register. There was no specific or different cyber security risk identified over and above the probing of the Council's systems and phishing attacks that happen on a daily basis. The Council's security measures were constantly reviewed and improved and these included ICT technical controls, Council awareness and training. The Council had taken part in training with Strata colleagues from East Devon and Teignbridge Councils at the National Cyber Security Centre to test cyber security capability and defences. Teignbridge and Exeter Councils had also secured funding from the Local Government Association and appointed industry experts to undertake a systematic review of cyber security arrangements which will be completed within the next few months.

- *Risk 3: Carbon Neutral 2030:*

A question on the future presentation of a dedicated Risk Register for Carbon Net Zero 2030 had been answered earlier in the meeting. Members were advised that the Net Zero team were waiting on the City Council's Carbon Reduction Plan from South West Energy and the Environment Group (SWEED) and for a GreenHouse Gas (GHG) baseline inventory, (commissioned from SWEED) which once approved will form a baseline from which the corporate Risk Register will be developed;

- in demonstrating how the Exeter Net Zero Plan 2030 goal will be achieved, officers would need to assess the situation once all information from SWEED regarding the Council's position had been received and digested. In relation to the external Net Zero work, Exeter City Futures would produce a clear goal oriented development plan with the aim of a relaunch and a clear position statement, which was anticipated in early summer, and
- the City Council's Carbon Reduction Plan, commissioned from SWEED, will include Scope 3 emissions and any action plan would include the direct actions the Council could take in relation to Scope 3 emissions, which was likely to initially focus on the Council's procurement and supply chains. The GHG baseline for Exeter City Council commissioned from SWEED does not include Scope 3 emissions at this stage given the limited ability to be able to take direct action. Exeter City Futures had a key lobbying and influencing role for the city in relation to regional and national policy, which has been the initial focus for Exeter City Futures in relation to Scope 3 emissions.

The Member requested that a copy of the responses be sent separately.

The Director Finance also responded to the following Member's questions -

- *Risk 6: Financial Sustainability:* As and when the reductions were proposed, and if appropriate, an equalities impact assessment would be carried out to set out the full impact of any potential cuts in services. It was important to note that delivering a balanced budget was the legal responsibility of Council. There would be difficult decisions to be taken, but if funding was being reduced, there would be a need to reduce Council delivery accordingly.

- *Risk 8: Exeter Liveable Programme:* The greatest challenge facing the Exeter Development Fund, would be that each public body would have its own requirements for protecting publically owned assets, and it was not a good use of limited resources to make an assessment on every potential asset. Consideration of the Fund would be critical to enable the Council to make the necessary decision as to whether it was in the best interests of the taxpayer to participate. A full options appraisal, as with any potential disposal would review any potential income losses against the value of benefit available. There was a real opportunity to test the potential using Central Government funding, but any decisions would be presented to Council and be accompanied by a detailed analysis of the financial and non-financial impacts.

In relation to a Member's comment on independent financial advice being sought by the Council on the likely performance of the Exeter Development Fund. A comparison of the income losses could be to financial or non-financial benefit and there may be occasions when an asset will be relinquished for other benefits and that is the very nature of a public body. Some of the Council's work was not necessarily financial or profit driven. The outcome of the report was awaited with interest to understand whether independent advice to support the Council in respect of the Fund was required, and if indeed that advice was needed then that would be obtained.

The Director Finance noted a Member's comment that the social value return to the people of Exeter should be considered and confirmed that benefits other than just a financial analysis, would be considered when weighing up any impact or potential loss.

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

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

Chair

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Exeter City Council Audit Progress Report and Sector Update

Year ending 31 March 2022

July 2022

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Agenda Item 5

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

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Introduction

Your key Grant Thornton team members are:

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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

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

Progress at July 2022

Financial Statements Audit

We undertook our initial planning for the 2021/22 audit in January 2022, and interim audit in June and July. We expect to begin our work on your draft financial statements in September.

Our interim fieldwork includes:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements
- Early work on emerging accounting issues

The results of our work to date are included in this report.

We have presented a detailed audit plan to this Committee, setting out our proposed approach to the audit of the Authority's 2021/22 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the reporting deadline of 30 November and will keep management and members up to date with any issues identified

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. The Department for Levelling Up, Communities and Housing (DLUHC) have now issued secondary legislation extending the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report (AAR), containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

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

2020/21

We have completed our review of the Council's arrangements and have prepared a draft prior to sharing with management. Subsequent to this we have received correspondence from a local elector raising a number of matters, relating to governance of the Council's commercial entities, that will require consideration prior to finalising our work. Consequently this additional work has meant that we will not be able to meet the requirements to complete this within three months of the audit opinion. In accordance with the NAO guidelines we include our letter of delay at page 7

Progress at July 2022 (cont.)

2021/22

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. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. We anticipate undertaking this work in early 2023

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Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2020/21 claim was completed on 28 February 2022. The certification work for the 2021/22 claim is due to begin in October. We will report our findings to the Audit and Governance Committee.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The certification work for the 2020/21 return was completed on 3 February 2022. The certification work for the 2021/22 return is due to begin in October.

Meetings

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

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2022, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

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

Audit Deliverables

2020/21 Audit-related Deliverables

Housing Benefit Subsidy – certification

This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.

Planned Date

28 February 2022

Status

Completed

Pooled Housing Capital Receipts

3 February 2022

Completed

Auditor’s Annual Report

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

31 July 2022

Not yet Due

2021/22 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority’s 2021/22 financial statements and the Auditor’s Annual Report on the Authority’s Value for Money arrangements.

Planned Date

July 2022

Status

Completed

Interim Audit Findings

We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.

September 2022

Not yet due

Audit Findings Report

The Audit Findings Report will be reported to the November Audit and Governance Committee.

November 2022

Not yet due

Auditors Report

This includes the opinion on your financial statements.

November 2022

Not yet due

Auditor’s Annual Report

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

December 2022

Not yet due

Value For Money – Extension Letter

Councillor T Wardle
Chair of Audit Committee
Exeter City Council
Paris Street
Exeter
EX1 1JN
8 July 2022

Dear Councillor Wardle

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. In addition, we have received additional correspondence from a local elector highlighting matters that we need to consider further in relation to the governance of the Council's group companies before concluding our VFM work.

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 31 July 2021.

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
On behalf of Grant Thornton UK LLP

Financial Reporting Council annual report

On 29 October, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six opinion files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

Financial Reporting Council annual report (cont.)

Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

Grade	Number 2020/21	Number 2020/19	Number 2019/18
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis.

As auditors we have shown compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Having formal internal consultations when considering complex technical issues.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

Sector Update

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

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

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

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

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

Public Sector

Local
government

Levelling up White Paper – Department for Levelling Up, Communities and Housing (“DLUCH”)

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

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[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)
(www.gov.uk)



Grant Thornton – reaction to Levelling up White Paper

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”

Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states “In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local Government for financial assistance; three of these—Northamptonshire in 2018, Croydon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils’ finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report.”

The report includes sections on:

- Social Care
- Funding
- COVID-19
- Local authority commercial investment
- Audit and control

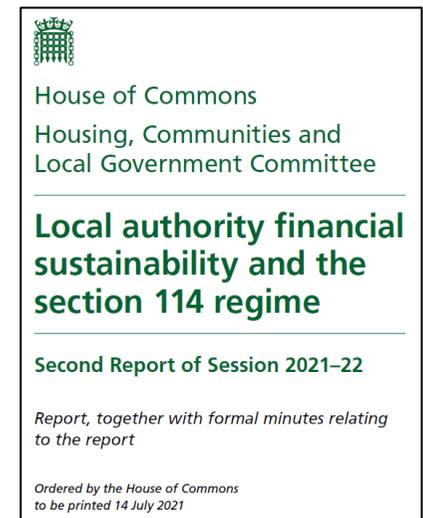
The report made 13 recommendations, and the Government response to these was published in October. The response notes “Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms.”

The initial report can be found here:

<https://committees.parliament.uk/publications/6777/documents/72117/default/>

Government response can be found here:

<https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-the-section-114-regime>



Emergency consultation on 2021/22 reporting requirements – CIPFA

On 4 February CIPFA released an emergency four week consultation on time limited changes to the Code to help alleviate delays to the publication of audited financial statements. This explores two possible changes that might be made as an update to the 2021/22 code and to the agreed position in the 2022/23 code.

The decision to launch the consultation came after the Department for Levelling up, Housing and Communities (DLUHC) asked CIPFA to consider amendments to the Code of Practice on Local Authority Accounting, after just 9% of local audits for 2020-21 were published on time.

After considering a wide range of options CIPFA LASAAC decided to explore two approaches:

1) An adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation

2) Deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

CIPFA Chief Executive Rob Whiteman said: “DLUHC is understandably concerned about this growing crisis – and CIPFA shares this concern. We are committed to supporting CIPFA LASAAC in its exploration of the options that may improve timeliness issues, without significantly impacting accountability. But this is a difficult issue, and we need feedback from stakeholders on whether and how this might work.”

CIPFA said that the changes do not represent the best form of financial reporting for local authorities, but are a “temporary expedient to help improve an unacceptable situation”.

The consultation closed on Thursday 3 March. Any updates to the Code are subject to oversight by the Financial Reporting Advisory Board before implementation.

The consultation can be found here:

<https://www.cipfa.org/policy-and-guidance/consultations/emergency-proposals-for-update-of-202122-and-202223-codes>

Summary of the Grant Thornton response

Property, Plant & Equipment Valuations

In principle we are very supportive of changes to the measurement basis for operational property, plant and equipment. However our view is that it is too late to effect change for the 2021/22 reporting cycle. Our response highlighted a number of difficulties with this approach, including the risk that some assets then fall outside of the requirement to be revalued every five years as a minimum, and the challenge of consistent application of indexation. The proposed amendments to the Code do not appear to override the requirement that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period, which stems from IAS 16:31. If the financial reporting requirements are not sufficiently tightly defined and auditors therefore cannot obtain sufficient and appropriate audit evidence to support this requirement, there is a risk that audit opinions could be modified as a result.

Deferral of IFRS 16 - Leases

The removal of the requirement for disclosure (based upon IAS 8) in 2021/22 is not likely to have a significant impact in terms of freeing up auditor time and audit work covering the disclosures in 2022/23 would then be required in the 2022/23 audit. Savings to preparer time and effort would depend on what progress has already been made in preparing for the imminent implementation of IFRS 16.

Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to ‘have regard to’ their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority’s functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



Good practice in annual reporting – NAO

The National Audit Office (NAO) has published this guide which sets out good practice principles for annual reporting with examples from public sector organisations

The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

The NAO further comment “The best annual reports we have seen use these principles to tell the “story” of the organisation. It is important that stakeholders, including the public and Parliament, are able to hold an organisation to account. To do this effectively, stakeholders need to properly understand the organisation’s strategy, key risks that might get in the way of delivering this strategy and the effectiveness of their management, and the amount of taxpayers’ money that has been spent to deliver the outcomes the organisation seeks to achieve.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

Although the guide does not include any local authority examples, those included, and the underlying principles, are equally relevant to all public facing organisations.



The guide can be found here:

[Good practice in annual reporting - National Audit Office \[NAO\] Report](#)

Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)



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Exeter City Council audit plan

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July 2022

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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.

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Key matters

Factors

Audit Quality

On 29 October 2021, the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year.

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits

Recovery from Covid 19 pandemic

In 2020/21 and 2021/22 Central Government provided substantial funding to the Council in recognition of both the impact of the Covid19 pandemic on the Council's finances and in recognition of the additional duties the Council took on in response to the pandemic.

The Council continues to recover from the impact of the pandemic and the impact on demand led services in particular has been considered as part of the Council's budget setting process.

Throughout the pandemic the Council has maintained strong financial control and has maintained its financial sustainability.

Infrastructure Assets

The CIPFA Code of Practice on Local Authority Accounting prescribes the accounting treatment and disclosure requirements for infrastructure assets and requires these to be reported in the Balance Sheet at depreciated historical cost (i.e., historic cost less accumulated depreciation and impairment.)

Nationally, this has become an area of regulator interest, with CIPFA and the NAO also reviewing this issue.

There is a risk that where authorities have incurred expenditure on the replacement or enhancement of existing infrastructure assets, they may not readily be able to identify the original assets being replaced or enhanced.

This could result in an overstatement of both gross book values and accumulated depreciation, and potentially also net book values where assets lives have not been assessed regularly and on an appropriate basis.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, will be agreed with both your Director Finance and PSAA prior to being communicated to yourselves for final approval.
- The results of the recent FRC review are outlined in the accompanying progress report
- We will be mindful of the impact of Covid 19 on the Council's financial statements (for example with regard to asset valuations, recovery of debts and in accounting for grant income and expenditure).
- Although we have not identified a risk of significant weakness in the Council's arrangements, our Value for Money assessment will consider the Council's budget setting and medium term financial planning.
- We will be alert to the emerging guidance in this area.
- As Exeter City Council has material infrastructure assets (£5.6m gross book value at 31 March 2021), we will work with management to understand how the Council is accounting for these assets.
- We will continue to provide you with sector updates via our Audit & Governance Committee updates.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

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

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

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

Group Audit

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

Significant risks

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

- Management override of controls
- Valuation of land and buildings
- Valuation of Investment properties
- Valuation of net pension fund liability

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

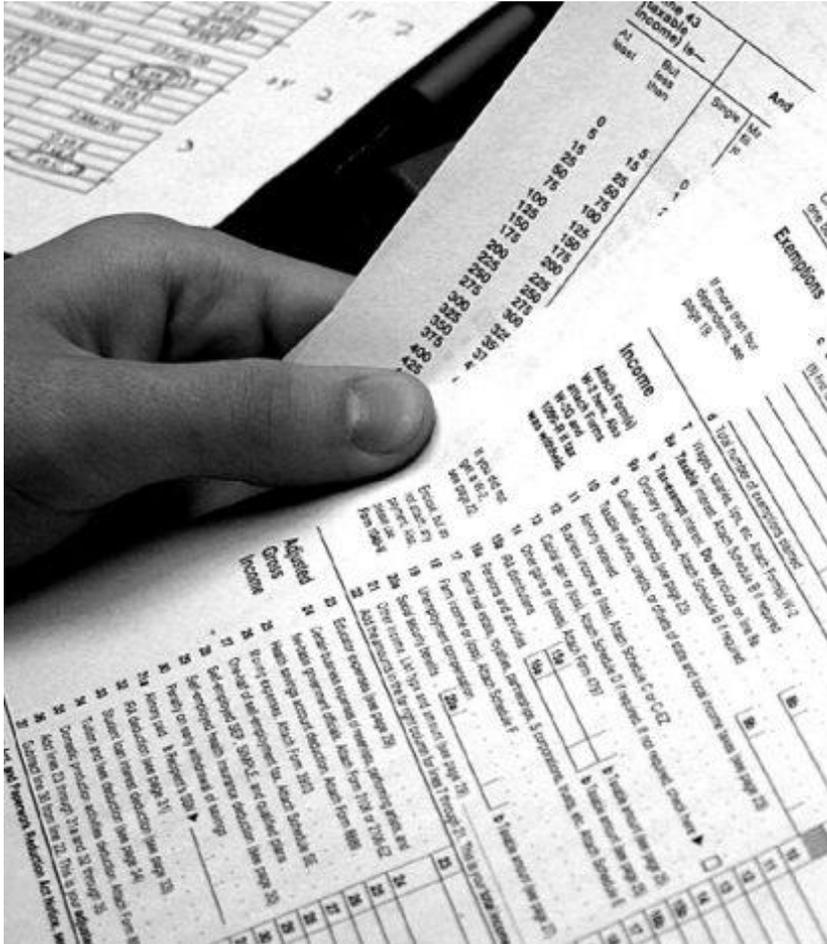
Materiality

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

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money is ongoing. We are still to finalise our 2020-21 review due to having received correspondence from a local elector, in relation to the governance of the Council's commercial entities, that will require consideration prior to finalising our work. We share the draft report for management comments and any actions that will be taken in response to improvement recommendations outlined. We will take any outcomes from this process alongside current arrangements and report any risk of significant weakness to management and members which will be covered by a separate planning memorandum which we will bring to Audit and Governance Committee.

Introduction and headlines cont.



Audit logistics

Our interim visit will take place in July and our final visit will take place in September to November. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our fee for the audit has yet to be confirmed, following discussions with PSAA. It was £70,523 for the audit in 2020-21. The fee will be subject to the Council delivering a good set of financial statements and supporting working papers.

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

Group audit scope and risk assessment

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

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

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Key changes within the group:

- We have not yet received the preliminary statements for the components of the group and therefore will have to revisit this assessment to ensure that all significant risks for the group have been identified.
- Through discussion with management we have been informed that there has been increased activity at Exeter City Living following the impact of covid 19 and that the Council have taken a share in Exeter Science Park. Our understanding from discussions with management is that the share in the science park is not material and we will confirm this assessment upon receipt of component financial information for 2021-22

Audit scope

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

Significant risks identified

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

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

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the design effectiveness of management controls over journals Analyse the journals listing and determine the criteria for selecting high risk unusual journals Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings (Rolling revaluation)	Council	<p>The Council revalue its land and buildings on a rolling basis. This valuation represents a significant estimate by management in the financial statements due to the size of the number involved (£463m at 31/03/21) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used).</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Evaluate the competence, capabilities and objectivity of the Council's valuation expert Write to the valuer to confirm the basis on which the valuation was carried out Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding Test revaluations made during the year to see if they had been input correctly into the Council's asset register Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>On page 3 we noted an emerging issue regarding the accounting for infrastructure assets. In response to this, we expect to:</p> <ul style="list-style-type: none"> Understand the Council's approach to capitalisation, derecognition and depreciation of infrastructure assets. Review the Council's fixed asset register to assess whether it is applying these processes for recognition and derecognition of infrastructure assets. For a sample of existing assets and additions to infrastructure, review the basis of the asset life and assess on whether this is reasonable and correctly factored into depreciation calculations.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties (Annual revaluation)	Council	<p>The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£55m at 31/03/21) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of an external valuer to estimate the current value as at 31 March 2022.</p> <p>We therefore identified valuation of investment property, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work Evaluate the competence, capabilities and objectivity of the valuation expert Write to the valuer to confirm the basis on which the valuations were carried out Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding Test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register
Valuation of the pension fund net liability	Council	<p>The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£135 million liability in the Council's balance sheet at 31/03/21) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and Obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified 3 recommendations in our 2020/21 audit in relation to the Council's estimation process for (e.g. valuation of land and buildings, valuation of the net pension liability).

Introduction

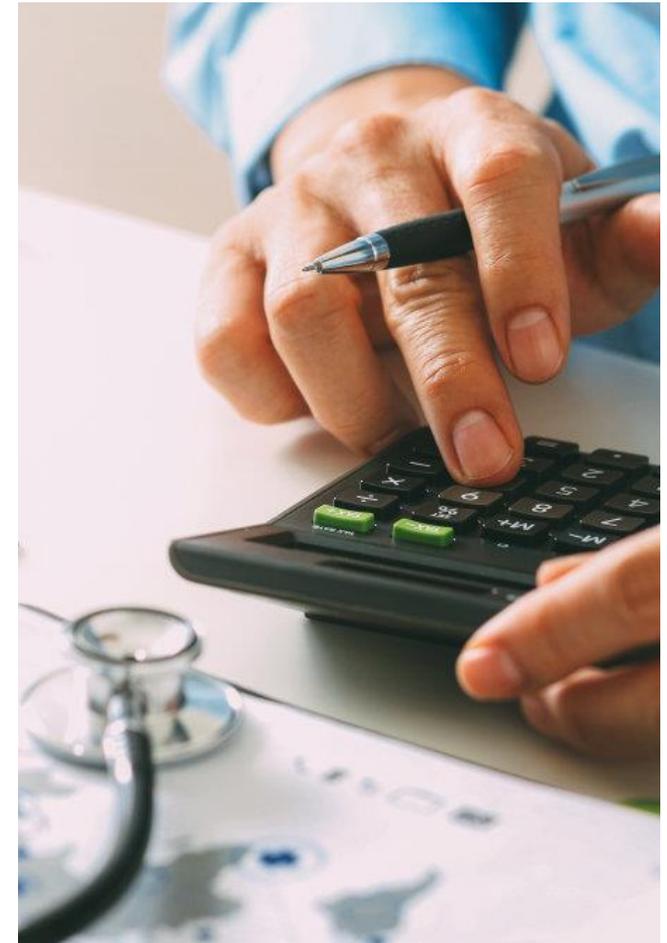
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 investments

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have made enquiries to management, and are awaiting responses, which will be shared with Those Charged with Governance for you to consider whether the responses are consistent with its understanding and whether there are any further comments you wish to make.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

Materiality

The concept of materiality

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £2.1m (PY £2.1m) for the group and £2m (PY £2m) for the Council, which equates to 2% of your prior year gross expenditure for the year net of Covid grant income.

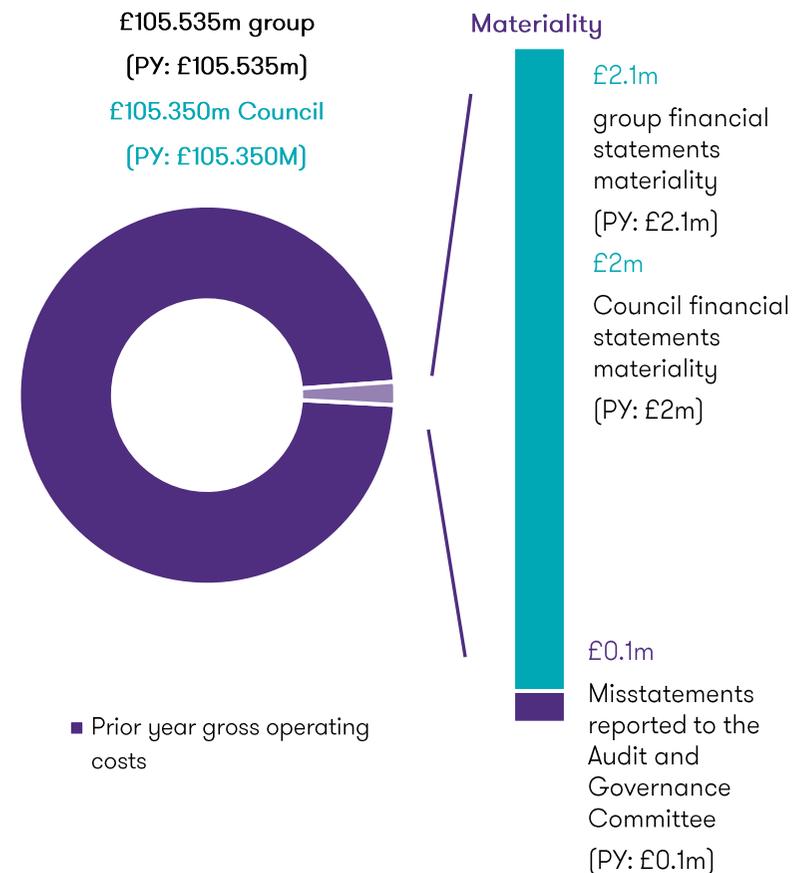
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit & Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.1m (PY £0.1m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.

Prior year gross operating costs



IT audit strategy

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

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

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

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

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



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

Our work on the 2020-21 VFM is ongoing and we will complete this before we consider the arrangements for 2021-22. We will consider the risk of significant weakness in arrangements and report our considerations within a separate VFM planning memorandum that we will present to the Audit and Governance Committee.



Audit logistics and team



Julie Masci, Key Audit Partner

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

David Johnson, Audit Manager

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

Robson Zvenhamu, Audit Incharge

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

Audited body responsibilities

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

Our requirements

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

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

Audit fees

In 2017, PSAA awarded a contract of audit for Exeter City Council to begin with effect from 2018/19. The fee agreed in the contract was £44,573. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. [We have engaged an audit expert to improve the level of assurance we require for {add details e.g. property valuations estimates}, which has been included in our proposed audit fee.] Our proposed work and fee for 2021/22, as set out below, is detailed overleaf [and has been agreed with the Director of Finance].

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	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Exeter City Council Audit	£60,523	£69,173	£TBC
Audit of subsidiary company Exeter City Group Limited	£1,500	£3,500	£TBC
Value for Money new code requirements		£9,000	
Total audit fees (excluding VAT)	£61,753	£81,673	£TBC

Assumptions

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

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

Relevant professional standards

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

Audit fees – detailed analysis

Scale fee published by PSAA	£49,073
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar and Increased challenge and complexity	£3,125
Group Audit – additional work	£375
Enhanced audit procedures for Property, Plant and Equipment including our own audit expert	£5,688
Enhanced audit procedures for Pensions	£687
Recurring Audit fee 2019/20	£58,948
<i>Ongoing increases to scale fee first identified in 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs	£5,100
Recurring Audit fee 2020/21	£73,048
Additional local risk factors	£4,500
Remote Working*	£5,000
Total audit fees (excluding VAT)	£82,548

*The pandemic has led to considerable changes to how we all work and how we have carried out our audits over the last two years. Many local authorities are exploring new ways of working to support its officers, through use of remote and hybrid working environments. We see the positive benefits this can bring to the Council, and its workforce, both in providing more flexibility and reducing its environmental impact. Whilst there are many efficiencies to remote working, having the ability to work together with officers face to face in conducting our audit work provides many advantages to the timely progression of the audit; in minimising inefficiencies in gathering audit evidence, discussing key issues with officers and resolving and concluding outstanding queries.

As part of our planning for 2021/22, we have been engaging with the Council to explore completing some elements of our work on-site over the summer. With Covid restrictions now lifted, this is the appropriate thing to do. We have been discussing this with PSAA and propose that where councils continue to have a preference to undertake audits remotely, either fully or in part, that audit fees would be uplifted to reflect the inefficiencies that this would cause. For Exeter City Council, we estimate this uplift to be in the region of £5,000.

Independence and non-audit services

Auditor independence

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

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

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

Other services

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

None of the services provided are subject to contingent fees.

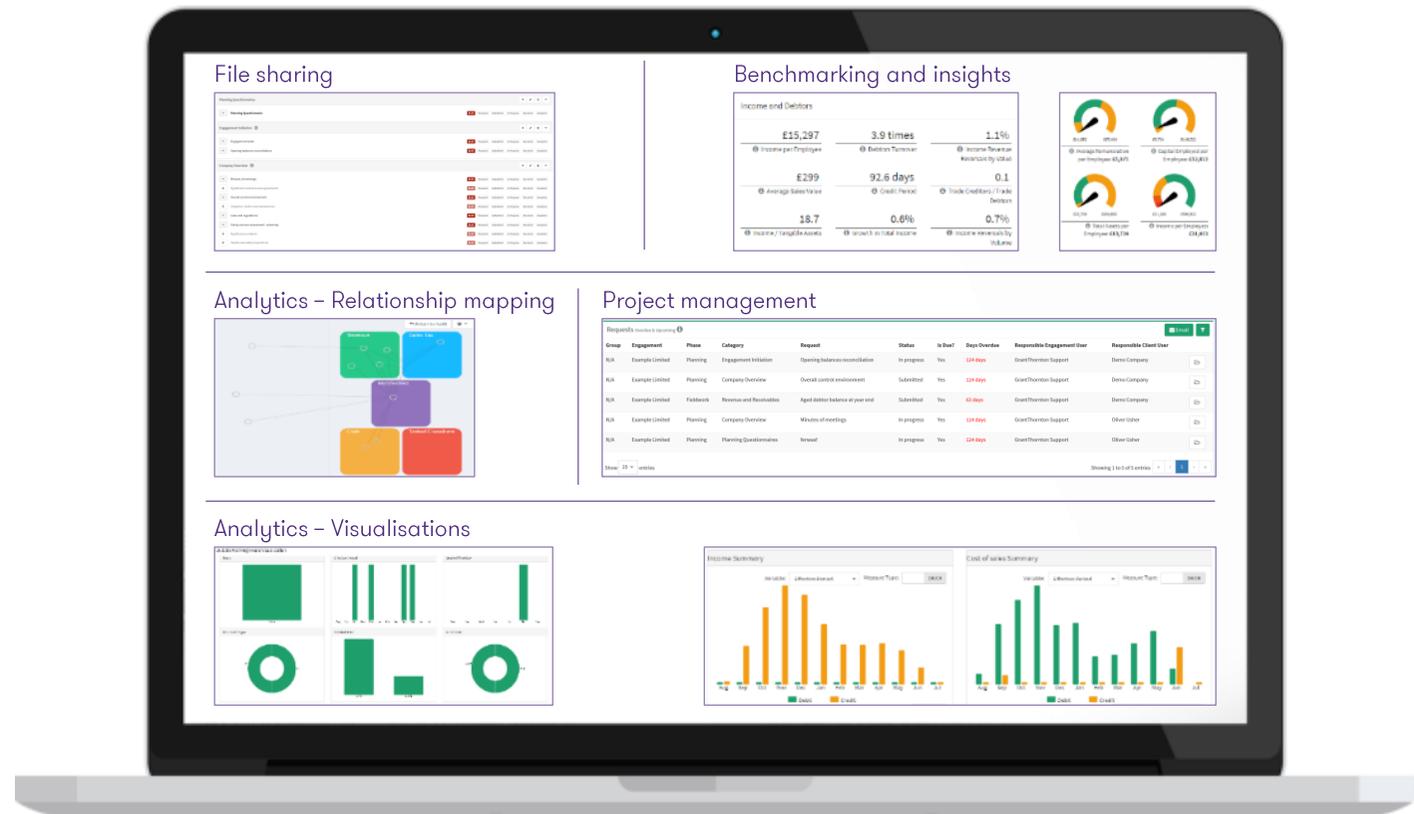
Service	Fees £	Threats	Safeguards
Certification of Housing Capital receipts grant	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Subsidy return	27,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	33,500		

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations

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Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

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How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.

Appendix 1: Progress against prior year audit recommendations

We identified the following issues in our 2020/21 audit of the group's financial statements, which resulted in 6 recommendations being reported in our 2020/21 Audit Findings Report. As part of our risk assessment we have considered the impact of unadjusted prior period errors. No unadjusted misstatements were identified. We have followed up on the implementation of our recommendations and actions to date are shown below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	Declarations of interest were only made by two senior officers in 2020/21. The system used to make declarations does not require senior officers to complete a declaration where this is a nil disclosure. There is a risk that related parties are not declared by all senior officers	We will review senior officer submissions as part of our financial statements work to ensure that all declarations have been made and any issues identified have been appropriately considered
TBC	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	We will undertake an ITGC review of the Council's arrangements including a review of the number of superusers as part of our ongoing planning work
TBC	On a small number of occasions, finance staff have used their superuser ID to post journals into the system. It is the Council's policy that the superuser ID should not be used for this purpose. There is a risk of inappropriate use of superuser ID	Journals will be tested as part of the consideration of management override of controls. This will include review of users who have posted journals and whether these are appropriate
TBC	The Council does not provide MRP for capital loan payments to third parties. This is not deemed to be in line with the regulations. There is a risk that, going forward, MRP will be materially understated	Management have reviewed this recommendation and do not consider that it is applicable to the Council. There is no indication that the MRP calculation will be adjusted in 2021-22 and, therefore, testing will review whether this is appropriate and if the issue raised in 2020-21 is still applicable
TBC	Where the Council are using supporting data and assumptions with in 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	Valuation of property is a significant risk and testing will include detailed analysis of the information used by the valuer including supporting data and assumptions.
TBC	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	Valuation of property is a significant risk and testing will include detailed analysis of the information used by the valuer including supporting data and assumptions.



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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 27 July 2022

Report of: Audit Manager

Title: Annual Report of Internal Audit for the Year Ended 31 March 2022

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

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

2. Recommendations:

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

3. Reasons for the recommendation:

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

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

4.1 None

5. Section 151 Officer comments:

5.1 Members should take comfort from the positive overall opinion and the fact that all audit opinions resulted in either Substantial or satisfactory assurance. The response of management in agreeing to and implementing remedial action should also be noted. In respect of fraud, it is positive to see that the options available to the public are being used. In respect of the bank mandate frauds, whilst frustrating, the Council will be protected by the direct debit guarantee and will have recovered the funds.

6. What are the legal aspects?

.6.1 None identified.

7. Monitoring Officer's comments:

- 7.1 It is gratifying to read that internal audit found *"no evidence of significant issues in the internal control framework and we consider that management have responded appropriately and positively to agreeing and implementing remedial action"*.
- 7.2 In relation to the financial position, it is important to flag for members' attention internal audit comment that this *"...remains precarious with significant reductions required to balance the budget over the medium term. Not all reductions are underpinned by Government decisions and therefore even if the plans were to be dropped, the Council would still require reductions of around £5m. There are significant headwinds affecting the Global economy and this is producing cost pressures which affect the Council"*.

8. Report details:

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

- The Audit Manager must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement
- The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control
- The annual report must incorporate:
 - the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement Programme

8.2 The Annual Audit report is attached as Appendix A.

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

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

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

N/A

11. Equality Act 2010 (The Act)

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

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;

- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

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

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

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

11.4.1 The report is for information only

12. Carbon Footprint (Environmental Implications)

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

13. Are there any other options?

N/A

Audit Managers
Helen Putt/Helen Kelvey

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

Background papers used in compiling this report:-
None

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

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Annual Report 2021-22

Internal Audit Service

**Helen Kelvey/Helen Putt
Audit Manager**

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1. Introduction

Purpose of this report

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

The role of Internal Audit

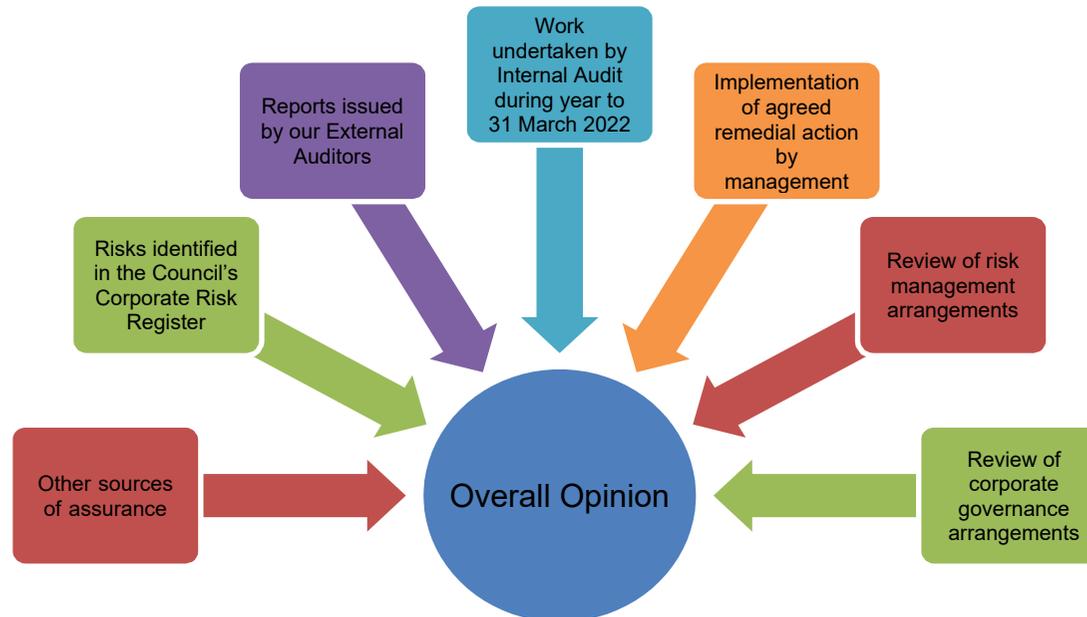
- 1.6 The Public Sector Internal Audit Standards 2017 (PSIAS) defines Internal Audit as "... *an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined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

1.7 Internal Audit is charged with continually reviewing the system of internal control system on behalf of the Council and its management. Internal Audit objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The work of Internal Audit is based upon a risk assessment of the Council's financial and non-financial systems, from which an annual audit plan is established that was approved by the Audit and Governance Committee in March 2021.

2. Overall Opinion and Assurance Statement

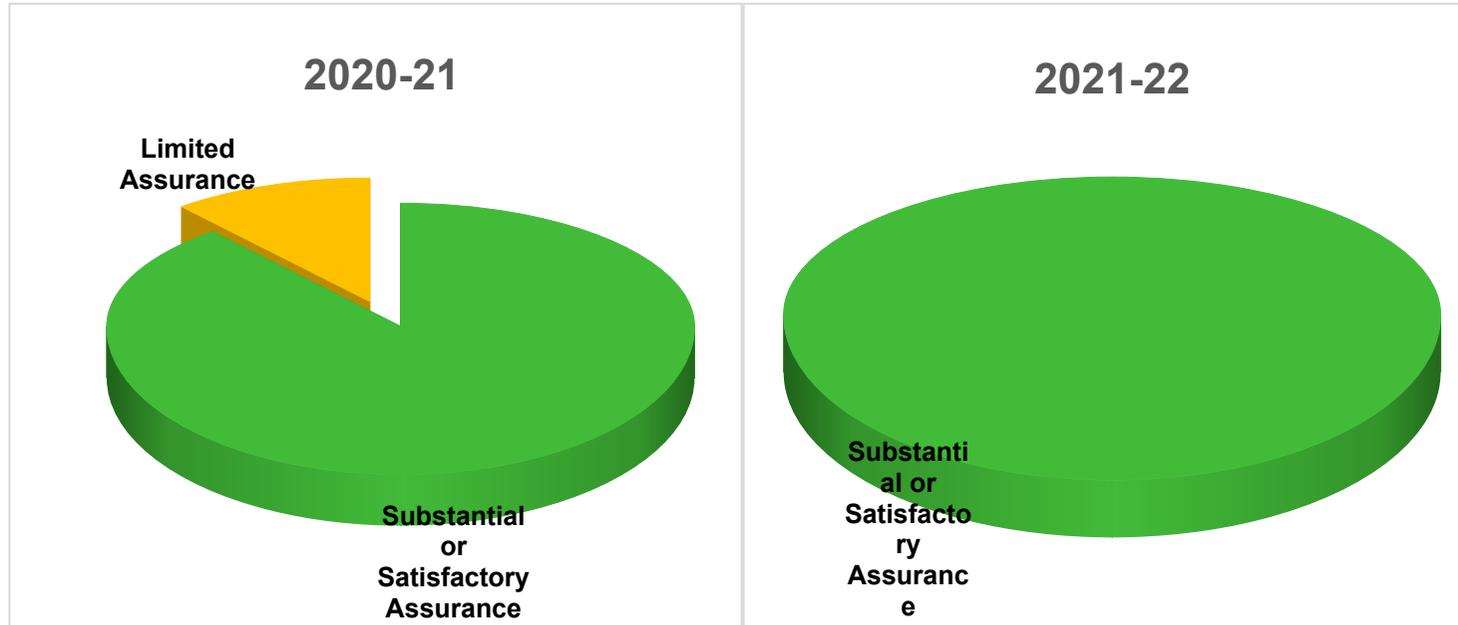
Basis of Opinion

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



Summary of assurance provided by the Internal Audit Service

2.2 A summary of all the assurance we have provided during the year is shown below. This includes each audit review directed to provided controls assurance but it excludes any fraud investigation work. A comparison is provided with 2020/21 which shows that no limited assurance/no assurance audit opinions were issued during 2021/22.



Management's response to our findings

2.3 Management's response to Internal Audit findings throughout the year was positive. Action plans were agreed and actions are already being implemented by nominated officers. There were no instances where remedial action was not agreed with management. We will follow-up all 'medium' and 'high' risk findings during the course of 2022-23 and continue to provide support to management to develop and implement solutions to the controls issues identified.

Follow-up of our previous work

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

Overall Opinion

2.5 From the audit work undertaken during the year and taking into account the other sources of assurance identified above, we consider that the key systems are operating satisfactorily and that there are no fundamental breakdowns of control resulting in material discrepancy. As mentioned above, no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, this statement is only intended to provide an opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2022.

3. Key Issues and themes

Internal Control Framework

- 3.1 Our work found no evidence of significant issues in the internal control framework and we consider that management have responded appropriately and positively to agreeing and implementing remedial action.
- 3.2 Financial position – The Government's continued delays in implementing the Fair funding review and business Rates reset have led to further uncertainty over the Medium term Financial Plan. However, the financial position remains precarious with significant reductions required to balance the budget over the medium term. Not all reductions are underpinned by Government decisions and therefore even if the plans were to be dropped, the Council would still require reductions of around £5m. There are significant headwinds affecting the Global economy and this is producing cost pressures which affect the Council.
- 3.3 Net Zero 2030 – the Council has set a net zero target date of 2030 for council operations as opposed to the Devon County Council and central government target of 2050. In setting this central government target, the Committee on Climate Change (CCC) recognised that whilst this target is technically feasible it is highly challenging without sustained policy interventions across several sectors, many of which will be complex, costly and time-consuming. In choosing to set a target 20 years ahead of national and other locally set targets is high risk. However, this has already been recognised and will be monitored by the Audit & Governance Committee as part of the corporate risk register process.
- 3.4 Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake-up of operations and control systems. These factors include the following:
- external factors e.g. regulatory change and compliance, climate change
 - internal factors e.g. The One Exeter project to deliver the digitalisation/transformation of service delivery
- 3.7 These key issues are reported within the Annual Governance Statement, along with a summary of action to be taken. Progress will be subject to regular monitoring by this Committee.

Risk management

3.8 During the year, we worked with Service Leads to review operational risk registers and offer any advice and guidance as needed. The system seems to be working well to date. The administration of the Corporate Risk Register (CRR) also sits with Internal Audit and one of the Audit Managers meets with Directors and the Chief Executive on a regular basis to review the CRR prior to review by SMB. At the request of members a separate Net zero Risk Register will be introduced during 2022-23.

Counter Fraud

3.9 During 2020-21 we 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 then submitted to government. As the various business support grant schemes continued into 2021-22 we continued the process of undertaking post award assurance checking, following guidance issued by the government, for each scheme type.

Regulation of Investigatory Powers (RIPA)

3.10 As co-ordinators of RIPA for Exeter City Council we are required to report to this committee on the use of RIPA by the Council. During 2021-22 RIPA powers were not used by this Council.

4. Delivery of 2021-22 Audit Plan

4.1 The Internal Audit plan for 2021-22 was approved by the Audit and Governance Committee in March 2021 and the committee received quarterly updates on progress against the plan. The table below shows the completion of the approved audit plan together with outcomes of all audits undertaken within the year, (including those completed in Quarter 4 - 1st January 2022 to 31st March 2022). The Covid19 pandemic has again had an impact on the audit plan for this year albeit to a lesser degree. Updates and changes to the plan have been reported quarterly and been approved by this committee.

PROGRESS OF 2021/22 AUDIT PLAN AND SUMMARY OF OUTCOMES

Audit Area	Budget Days	Actual Days	Report Status	Direction of travel since last audit	Audit opinion	Summary of Audit Outcome
Main Accounting	6	1.1				To be deferred to 2022-23 due to the delay in implementing the upgrade to the accounting system.
Income Management	10	11.6	Final	↔	Substantial	A new income management system, CivicaPay, was introduced in November 2021 replacing the PARIS system. All payment methods are still accepted through CivicaPay though the automated methods i.e. on-line, internet and telephone payments are preferred to cheque and cash payments as they avoid manual intervention and enable customers to make a payment at any time of the day The scope of this audit included the following;

						<ul style="list-style-type: none"> • follow-up the findings from the previous audit report • review the testing schedule for the implementation of the new income management system CivicaPay • review and update the existing Income Management system description • select a sample of transactions from April 2021 to March 2022 and trace to the respective source system/financial code/bank account <p>Two medium issues were identified and remedial action for both agreed with management.</p>
Creditors – Corporate Credit Cards	15	11.2	Final	↔	Satisfactory	<p>In addition to paying Creditors via EFINs (which is the Council's purchase ledger system) there is also the facility for staff to purchase items using one of the Council's credit cards which are held by nominated officers.</p> <p>As at March 2022, corporate credit cards had been issued to 64 members of staff.</p> <p>The scope of this audit included a review of the following areas: Checking that:</p> <ul style="list-style-type: none"> • separation of duties exist between the person placing the order and the person authorising the order • the order is authorised prior to it being placed • where applicable a valid VAT receipt/invoice is held <p>Three medium issues were identified and remedial action agreed with management.</p>
VAT	9	5.3	Final	↔	Satisfactory	<p>The Council is registered for Value Added Tax (VAT) and as such has to account to HMRC for the VAT;</p> <ul style="list-style-type: none"> • charged on the goods/services supplied by the council (known as output tax) • paid on the goods/services purchased by the council (known as input tax) <p>New Government regulations, the Domestic Reverse Charge (DRC) were introduced on 1st March 2021 – it was due to be introduced in October 2019 but Brexit and Coronavirus meant it was delayed. The DRC applies to the supplies of building and construction services that fall within the scope of the Construction Industry Scheme and impacts both on the sub-contractor (supplier) and the contractor (i.e. the Council). Where the DRC applies, the Council rather than the supplier will be required to account for the VAT due on the supplies it receives.</p> <p>The scope of this audit included;</p> <ul style="list-style-type: none"> • following up on the progress made to implement the agreed actions from the previous VAT audit report • reviewing the January 2022 VAT return, checking that; <ul style="list-style-type: none"> - documents are available to support the figures quoted in the VAT Return - the VAT Return has been approved by a senior member of the Finance team prior to its submission to HMRC • sample testing 10 sundry debtor invoices to check the correct VAT code has been used • sample testing 10 corporate credit card holder transactions to check that; <ul style="list-style-type: none"> - supporting VAT invoices are held - the correct VAT code has been entered on the respective upload journal • checking that Trade Waste invoices are raised using the correct VAT code • reviewing the training documents provided to staff prior to the implementation of the DRC

						Remedial action was agreed with management for all issues identified.
Insurance	6	9.7	Final	N/A	Substantial	<p>The Council's current insurance provider is Zurich Municipal (total contract value £876,800) and was due to be re-tendered with effect from April 2021. However, a procurement exemption until the end of 31 March 2022 was authorised. This was due to uncertainty in the insurance market due to the effects of Covid-19 and a potential opportunity to work collaboratively with neighbouring Councils in procuring an insurance provider from April 2022.</p> <p>It was subsequently not feasible to work with the other councils as it was not possible to synchronise ECC's re-tender plans as the other Councils had extended their contracts for a further year, which ECC were unable to do. The Council have therefore started their own tendering process with the intention of having a contract in place with the selected Insurance Company from 1 April 2022.</p> <p>The scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • Controls in place to ensure that assets, risks and liabilities are adequately insured • Processes to ensure that third parties provide adequate insurance where required • Recharge of premiums where the Council pays the premium on behalf of a third party • Management and monitoring of claims • Action take to identify and rectify problems for re-occurring patterns of claims • Contract tendering
People Management - Payroll services - Management	15	20.5	Final	N/A	Substantial Satisfactory	<p>Remedial action was agreed with management for all issues arising.</p> <p>As at 2nd February 2022 there were 817 permanent and 205 casual staff employed by ECC along with 39 elected Councillors. Payroll Services are tasked with paying members of staff and Councillors, along with other payroll related activities for example complying with HMRC regulations regarding the collection and subsequent payment of Pay as You Earn Tax and National Insurance Contributions, collecting pension contributions and paying them across to Peninsular Pensions.</p> <p>Payroll Services not only run the payroll for ECC staff, but also undertake the payroll function for ECC Election Staff, the Citizen Advice Bureau (Exeter), Citizen Advice Bureau (Torbay), Exeter City Living and Exeter Business Centre</p> <p>The scope of the audit included;</p> <ul style="list-style-type: none"> • Undertake a general payroll audit to check starters, leavers and variable payments to staff • Reviewing the system and processing controls in place to ensure only qualifying payments are made • Checking the other controls in place for example reconciliation of payroll financial codes, BACS limits <p>When considering the 13 medium rated risks in this audit report, it is noted that only 30% of them can be attributed to Payroll with the remaining 70% the responsibility of other areas, i.e. Officers/Authorisers, Business Partners, HR Admin and Finance.</p>

						<p>It is therefore considered not appropriate to give an overall audit opinion, instead it will be split into two, those under the control of Payroll and those outside of the control of Payroll</p> <p>Remedial action was agreed for all issues identified.</p>
Members Expenses	6	2.9	Final	N/A	Substantial	No matters arising
Health & Safety – Hand Arm Vibration Syndrome	12	7.9	Draft			Draft Report with the Health & Safety Group for consideration. To be reported next quarter.
Private Sector Landlord Services – HMO Licensing	8	14.1	Final	N/A	Satisfactory	<p>Mandatory licensing of HMO's is required by law, and is operated by all local councils in England and Wales. Mandatory licensing applies to HMOs:</p> <ul style="list-style-type: none"> with five or more occupiers who form two or more households, and who share an amenity such as a kitchen, bathroom or toilet <p>Note: the 2018 regulations removed the requirement for the building to be three or more storeys high to meet the definition of an HMO. This resulted in an increase in the number of mandatory HMO licences being issued, from approximately 900 (2017) to 1,390 (7 February 2022).</p> <p>The scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> Policies, procedures and legislation New applications Inspections and prescribed standards for HMOs Penalties in relation to HMOs and licensing <p>At the request of the Service Lead – Environmental Health & Community Safety, the testing concentrated on the inspection processes.</p> <p>Remedial action was agreed for all issues identified.</p>
Sport England – Active Families and School Communities Project	8	4.3	No report due			<p>As part of delivery of the Sport England pilot, the Active Families and School Communities project has been developed with the aim of putting in place a sustainable process where communities in those areas with the highest health inequalities and the least active families are involved in finding ways of being more active and have ways to influence:</p> <ul style="list-style-type: none"> how services in schools and community organisations are provided the environment that they live and work in <p>The scope of the audit was to work with the SE team undertake a business process review with a view to ensuring compliance with policies and procedures whilst re-designing the process where necessary to eliminate inefficiencies.</p> <p>Two business process maps have been completed 'as is' and 'to be' and have been issued to the service with a view to implementing the 'to be' process.</p>
Events, Arts & Culture	8	0	No report due			As a result of the pandemic there were no significant events and so no audit assurance was required.

Fleet Management	9	11.6	Final	N/A	Substantial	<p>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.</p> <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"> • Supply and maintenance of new vehicles – under a full maintenance lease with the option to purchase after 7 years • Maintenance only at fixed costs – for ECC owned vehicles less than 7 years old • “Pay as you go” maintenance <p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> • Policy and strategy • Induction practices and driver education • Fleet procurement and disposal • Maintenance and inspections • Invoice payments • Insurance • Contract management • Monitoring and performance <p>The fleet contract appears to be working well. Remedial action has been agreed for all findings.</p>
Car Parks	9	9.2	Final	N/A	Substantial	<p>The Council allows individuals or businesses to purchase permits to park in the councils' car parks or to lease parking bays. There are different terms and conditions, depending upon the type of permit required;</p> <p>Season Tickets - are purchased on-line for periods of 1 to 12 months. The permit is issued in the name of the individual/business and can only be used in a nominated car park. Parking is on a space available basis and a parking space is not guaranteed.</p> <p>Residential permits -There are a small number of properties which are entitled to apply for a reduced rate parking permit that allows the holder to park in a nominated car park.</p> <p>Ad-hoc permits - are normally requested by event organisers or contractors. The location and duration are tailored to the requesters requirements, unless a concession has been agreed, the cost will be as per the standard daily rate for the car park in question.</p> <p>Parking bays – there are a number of parking bays throughout the City which are leased out to businesses on behalf of the Car Parks Service Area by the Corporate Property Asset Team.</p> <p>The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate financial and non-financial</p>

						risks relating to the issuing of parking permits and the collection of income for the leased parking bays.
Leisure Facilities – Riverside Leisure Centre	25	18.8	Final	N/A	Satisfactory	<p>The Riverside Leisure Centre is located on Exe Bridges and offers a fully equipped gym, 25m swimming pool, learner pool and health suite, 6 court sport hall, two squash courts and indoor cycling.</p> <p>Previously the operation of all the Council's leisure facilities was outsourced to Legacy Leisure, but was brought back in house from 1 September 2020. Since then Riverside has adopted ECC's policies and financial regulations etc. (Note: due to a fire in February 2017, the Riverside closed for extensive repairs and re-opened to the public at the end of July 2021).</p> <p>The scope of the audit including a review of the following areas:</p> <ul style="list-style-type: none"> • policies and procedures • staff recruitment, induction and training • health and safety (risk assessments, water quality testing, other checks) • general security (fire detection evacuation, emergency action plan) • banking (income recording & reconciliation, security & floats) • bookings and admissions (refunds, memberships, deposits) • ordering of goods and services • inventories <p>Information gained from this review of internal controls will be as a basis for identifying future areas of testing on the Council's remaining leisure centres.</p> <p>One 'high' risk was identified relating to the Pool Quality Testing. Remedial action was agreed with management with a target date of end of May.</p>
Non-Domestic Rating	12	11.9	Final	↔	Substantial	<p>Business Rates are a tax on business properties such as shops, offices, factories, pubs, masts and advertising hoardings and is the businesses contribution towards the cost of local services. The tax is set by the government and is based on the 'rateable value' of the property.</p> <p>As per the Valuation Officer rating list (2017) on the 16th December 2021 Exeter City Council had 5,094 NNDR properties with a total rateable value of £190,767,399.</p> <p>The Covid-19 pandemic has had quite an impact upon the role of the Business Rates Team. From March 2020 several of their normal day-to-day tasks such as recovery action, monitoring of discounts and exemptions etc. had been put on hold so that they could concentrate on awarding the many covid-19 business grants that were made available to the business community.</p> <p>It is starting to slowly get back to normal, recovery action recommenced in October 2020 with regular reminders now being issued and court action was re-introduced in April 2021.</p> <p>In view of the above, the scope of the audit was restricted to:</p> <ul style="list-style-type: none"> • Valuation Office (VO) Notifications • Small Business Rate Relief (SBRR) • Retail Relief

						<ul style="list-style-type: none"> • Self-catering and holiday let properties <p>Remedial action was agreed for all issues identified.</p>
Housing – Repairs and Void Works	30	31.6	Final	↑	Satisfactory	<p>The Housing Asset Management team provides a responsive repairs service to the tenants of the Council's approximately 5,500 rented properties. In addition, when a property is vacated by a tenant and classified as void, the team is responsible for ensuring that:</p> <ul style="list-style-type: none"> • a property inspection is carried out to identify any works that need to be undertaken in order to bring it up to the Council's Lettable Standard of repair and cleanliness • the work is carried out satisfactorily by the third party contractor, Mears. <p>A new contract for Integrated Asset Management Services was recently signed with Mears (1 December 2020). Under this contract Mears supplies planned, responsive and void works. With regards to repairs and voids a Price per Property (PPP) and a price per void (PPV) model has been adopted.</p> <p>The objective of the audit was to review the operation of the new Integrated Asset Management Services contract with Mears and included a review of:</p> <ul style="list-style-type: none"> • Policies & procedures • Property records • Works • Post Inspections • Recharges • Performance monitoring of contractors <p>Remedial action was agreed with management for all issues identified.</p>
Planning – Community Infrastructure Levy (CIL) and Section 106 Agreements	8	11.4	Draft			To be reported next quarter.
Corporate Governance	10	10.3	Final	↔	Substantial	<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 11th January 2022.</p>
Equalities & Diversity	8	9.3	Final	↔	Satisfactory	<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"> • are report writers aware of and do they understand the procedures? • 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? <p>To identify projects and policies from committee minutes and published decisions, and to check that where applicable:</p> <ul style="list-style-type: none"> • an equalities impact assessment (EQIA) has been undertaken • appropriate action has been taken to address issues raised in the EQIA <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	10	12.3	No report due			Work has been ongoing to assist services with review of their operational risk registers.
Information Governance	8	2.1	No report due			It was intended to undertake a review of information governance in conjunction with our insurer. However, as a result of the pandemic this work was not undertaken. A review will now be undertaken in 2022-23.
Counter Fraud	15	11.1	No report due			A self-assessment against the Fighting Fraud and Corruption Locally 2020 Strategy was undertaken and no significant issues were identified.
Partnerships	8	0.8	No report due			A draft report was issued immediately prior to the pandemic, when this was picked up again following the return to business as usual, the officer responsible for partnerships had been seconded to project manage the One Exeter Programme which has been given priority. This audit will following up during 2022-23.
Contract Management	15	11.7	N/A			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 – Covid19 Community Action Fund	10	15.7	Final	N/A	Satisfactory	<p>The Exeter COVID-19 Community Action Fund (CAF) was set up to support groups and organisations with a one-off grant to support projects for community led activities that will:</p> <ul style="list-style-type: none"> • Meet urgent needs within their community • Cover transport costs for getting vital supplies to people isolated at home • Help people to stay connected and informed • Help people maintain and support mental health and wellbeing <p>Initially an amount of £3,000 was available although this reduced to £1,000 when the business support grants, sourced from Central Government, became available – this was in approximately May 2020.</p> <p>Funding for the CAF was provided by the Council and the Exeter Chiefs Foundation</p>

						<p>Applicants were required to apply online. A panel of 5 councillors were formed to review the awarding of these grants. This scheme closed on 30 June 2021.</p> <p>The scope of this audit was to check that;</p> <ul style="list-style-type: none"> • the details in the online application had been correctly entered on the monitoring spreadsheet and that the subsequently approved grants were then correctly paid out from EFINS • Documents to support all decisions are held <p>Remedial action was agreed for all issues identified.</p>
Commercialisation and project management	15	10.5	Follow-up	N/A	N/A	This report was a follow-up of the audit report issued July 2021 to review progress against the agreed actions. Remedial action relating to one high risk finding originally agreed has not been implemented, this will be reported to the next meeting of SMB in July.
Climate Change/Carbon Neutral	8	2.8	No report due			No significant work was possible in this area as the Net Zero team had not been appointed until later in the year. The team are in the process of establishing a Net Zero risk register and that will inform the future audit work for the 2022/23 year.
Covid Business Grants – post award assurance.	30	87.9	Final	N/A	Satisfactory or above	A total of nine business grants schemes were audited against the post award assurance criteria issues by the government. All audits were assessed as satisfactory or above.
Disabled Facilities Grants	8	2.6	Final	↔	Substantial	<p>If a house owner or someone living in their property is disabled, they may qualify for a disabled facilities grant towards the cost of providing adaptations and facilities to enable the disabled person to continue living there.</p> <p>Every authority is required to confirm that the grants they have awarded have been administered in accordance with the conditions set out by the Department of Community and Local Government. The authority statement must then be signed by the Chief Finance Officer and the Audit Manager. The Audit work undertaken enable this statement to be signed off.</p>

Other

RIPA Administration	1	1.4
Contingency (special/frauds) including unplanned work	30	24.8
Follow-ups	10	2.8
Audit Development – Data Analysis/CAAT development	5	7.6
Biennial Stakeholder Survey	5	1.6
Process Mapping		
Audit planning and control	60	46.7
NFI	15	10.1
External Audit	2	5.4
Review of hospitality/disclosures	3	1.1
PSIAS Peer Review	0	0.5
Total	472	462.2

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

5. Summary of investigations 2021/22

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

Internal Audit received 27 reports during 2020/21, (22 in 2020/21) an increase of 17% of which:

- 20 were received via the online “Report It” facility on the website (8 were reported anonymously)
- 5 were received via the telephone fraud hotline
- 2 were received via email

Of the 27 reports received:

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

Fraud identified within other services 1 April 2021 to 31 March 2022

Date	Type of Fraud	No of cases	Total Value	How detected
17.05.21	Bank Mandate	6	£111.24	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council

16.06.21	Bank Mandate	1	£34.28	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council
18.06.21	Bank Mandate	2	£29.42	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council
26.08.21	Bank Mandate	1	£12.42	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council
05.10.21	Bank Mandate	1	17.04	Bank Reconciliation undertaken by Council staff identified monthly direct debits taken from council bank accounts not having been set up by Council

Use of Whistleblowing policy

No concerns were raised under the Whistleblowing Policy.

6. Quality Assurance and Improvement Programme

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

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

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

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

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

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

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

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

Performance Indicators

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

Local Performance Indicator	Target	Actual
Percentage of Audit plan completed	95%	98%
Customer satisfaction - % Good or Excellent as per feedback forms	90%	N/A (see note below)
Draft reports produced within 10 days	90%	96%
Final reports produced within 10 days	90%	96%
Follow-up within 12 months	95%	100%
Training days per auditor post per annum	6 days	1 day
Number of process improvements		1

6.4 Training – due to the pandemic appropriate training available was limited, therefore the target of 6 days was not met.

User Feedback

6.5 The customer satisfaction results are derived from the customer satisfaction surveys issued following each individual audit. Due to the additional pressure on services due to the Covid19 pandemic, the decision was taken to suspend issuing customer satisfaction surveys for 2021/22. This has been re-introduced for 2022-23.

Public Sector Internal Audit Standards (PSIAS)

Independent Assessment

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

Self-Assessment

6.8 The standard also requires that the Audit Manager undertakes a periodic self-assessment of compliance. The last self-assessment was undertaken in March 2022, when it was found that the service was 98.2% compliant.

Stakeholder Expectations and Perceptions Survey Results 2021/22

Introduction

A stakeholder survey, which has been adapted from the Institute of Internal Auditors (IIA) “A Call to Action Research Study” (CBOOK Study), was issued to a sample of stakeholders to allow us to get an understanding our stakeholder’s perception of the Internal Audit Service and the type of service our stakeholders are expecting.

Our Quality and Assurance Improvement Program, which is a key element of the Public Sector Internal Audit Standards, requires us to conduct a periodic survey of our stakeholders.

Method

Surveys were sent to a sample of stakeholders and eight were returned as follows:

- All Council Members of the Audit and Governance Committee – no surveys returned
- Strategic Management Board – 2 returned
- Operational Management Board – 6 returned

The surveys included a number of statements and stakeholders were asked to rate to what degree that agreed or disagreed with the statements.

Results

The results of the eight surveys returned have been collated and detailed below.

1. All respondents agreed or strongly agreed that Exeter City Council’s Internal Audit Service:
 - Is independent and objective
 - Provides assurance to management and the Audit and Governance Committee
 - Is a consulting resource
 - Works to help improve the organisations operations
 - Evaluates and works to help improve the effectiveness of the governance process
 - Evaluates and works to help improve the effectiveness of risk management processes
 - Evaluates and works to help improve the effectiveness of control processes
2. We asked stakeholders the importance of:
 - Efficiency and effectiveness of operations
 - Reliability of management information (including but not limited to financial reporting)
 - Deterring and detecting fraud
 - Safeguarding assets

- Compliance with laws and regulations
- Corporate Governance
- Enterprise risk management
- Emerging Issues

The respondents felt that compliance with laws and regulations was most important and identifying emerging issues was the least important.

3. We asked the stakeholders how important is it that Internal Audit:

- Perform assurance activities related to corporate governance
- Perform assurance activities related to risk management
- Perform assurance activities related to control processes
- Assist with risk management
- Serve as a catalyst for change and action within the organisation
- Serve as an advisor to the audit committee
- Serve as an advisor to management

The majority scored all as important or highly important, with exception of serve as catalyst for change and action within the organisation, where there was a spread across not important to highly important.

4. The majority of respondents either agreed or strongly agreed that in their experience the Internal Audit service:

- Is knowledgeable about the organisation's strategy, business and initiatives
- Demonstrates proficiency when performing its work
- Is adaptive to the needs of today's business environment
- Anticipates emerging risks
- Provides valuable insights and knowledge to its stakeholders
- Is appropriately knowledgeable of new industry practices
- Seeks feedback on its performance
- Has a positive working relationship with its stakeholders

5. All stakeholders agreed or strongly agreed that Internal Audit reports and other communications are:

- Targeted to the right audience
- Clear and understandable
- Timely
- Informative
- Actionable

6. All stakeholders agreed or strongly agreed that Internal audit seeks stakeholder input on its:

- Annual audit plans
- Plans for individual audit engagements

- Audit performance

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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 27 July 2022

Report of: Audit Manager

Title: Review and Update of Whistleblowing Policy

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 This committee has responsibility for approval of the Council's Whistleblowing Policy which is reviewed bi-annually.

2. Recommendations:

2.1 To approve the updated Whistleblowing Policy at Appendix A dated April 2022.

3. Reasons for the recommendation:

3.1 The Council's Whistleblowing Policy needs to be reviewed every two years to ensure that it is up to date and remains fit for purpose.

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

4.1 None.

5. Section 151 Officer comments:

5.1 There are no significant issues to raise to the Committee in respect of this report.

6. What are the legal aspects?

6.1 None identified.

7. Monitoring Officer's comments:

7.1 Whistleblowing is said to be one of the most effective ways to detect and prevent corruption and malpractice. Protecting whist blowers from unfair treatment, including retaliations, discrimination or disadvantage can help people report wrong doing and increase the likelihood that wrong doing is uncovered.

8. Report details:

8.1 The Council's Whistleblowing Policy was reviewed and some minor amendments made in April 2022, details as follows:

- Section 1.5 – change of word to encourage reporting. It was felt that previous wording did not do this.
- Section 7 Independent Advice – update of the name and contract details of Public Concern at Work now to be known as Protect.

Once approved by this Committee, the updated policy will be communicated to all staff and Councillors via the Council’s policy management software.

A copy of the updated policy is included at Appendix A.

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

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

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

10.1 None

11. Equality Act 2010 (The Act)

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

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

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

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

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

11.4.1 The report is for information only

12. Carbon Footprint (Environmental) Implications:

12.3 There are no direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

13.1 None.

Director of Finance

Dave Hodgson

AUTHOR:

Helen Kelvey
Audit Manager

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

Background papers used in compiling this report:-

None

Contact for enquires:

Democratic Services (Committees)

Room 4.46

01392 265275

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Whistle Blowing Policy and Procedure

1. Aim of the Policy

- 1.1 Exeter City Council is committed to high standards of conduct and good practice and wants all malpractice to be identified and dealt with. All employees and others, who work to deliver its services, are expected to help with this.
- 1.2 Many of us at some time or another will have had concerns about something not seeming right at work. Normally these concerns should be raised with your manager to be dealt with in the first instance. However, there are occasions when you may be worried about raising such issues, perhaps feeling it is none of your business that it is only a suspicion or you may also feel that raising such matters would be disloyal to your colleagues or manager and in doing so your job could be put at risk. You may even have raised the matter previously but the person you spoke to did nothing about it, and you are not sure what to do next.
- 1.3 The Council has established this policy to enable you to raise your concerns and provide you with protection from detriment such as victimisation or disciplinary action
- 1.4 This policy encourages you to raise genuine, serious concerns as “whistle-blowers” to the Council or ‘regulators’ (the Local Government Ombudsman, National Audit Office, Standards Board for England, or Police), and provides a procedure for doing so. Exeter City Council will take any action necessary in proportion to the nature of the concern.
- 1.5 The policy explains how to raise a concern. If you raise a genuine concern in good faith and you reasonably believe that it’s in the public interest you are protected from any detriment by this policy.

2. Who does the policy apply to and who is protected by the policy?

- 2.1 This policy applies to you, and you are protected under it, if you work for the Council as:
 - An employee
 - A Councillor
 - An agency employee
 - A trainee
 - A worker who provides services to or on behalf of Exeter City Council, e.g. contractors, consultants etc
 - Volunteers, work experience placements etc
- 2.2 If you are a Councillor, you may refer whistle-blowing concerns in accordance with this policy on behalf of yourself or one of your constituents. However, you may not rely on the use of this policy as an alternative to raising any questions or concerns you may have that should otherwise be managed through the proper democratic processes of the Council. In addition, if you raise whistle-blowing concerns as a result of matters that have come to your attention in your capacity as a Councillor, you may not rely on this policy to remain anonymous in any investigation that may then follow.

- 2.3 Please note that you should not raise your concerns outside of the Council before you have raised them internally, because by doing so you may weaken the protection given to you by the Public Interest Disclosure Act 1998.
- 2.4 Anonymous concerns/complaints will always be considered as far as it is reasonable and practicable to do so but it is often difficult to attach equal weight to anonymous allegations due to the investigator's difficulty in confirming or following up evidence.

3 What kinds of concerns/disclosures are covered by this policy?

- 3.1 The Council has a number of policies and procedures in place for you to raise concerns about a variety of issues including:
- Grievance Procedure – for issues relating to your own employment if you are an employee
 - Dignity at Work Policy and Procedures – for reporting behaviour that constitutes bullying or harassment
 - Complaints Procedure – for reporting issues relating to standards of service delivery
 - Safeguarding Policy – for raising concerns regarding the safeguarding of children or vulnerable adults
- 3.2 The Council encourages you to raise **any** concern that you may have with either your manager, Internal Audit or the Council's Monitoring Officer (see 6.1 below). They will help you identify which policy should be used to report your concern if you are unsure.
- 3.3 **If you are concerned about any** unethical or unprofessional behaviour within the Council or by any of the Council's contractors and suppliers, you should raise your concern and this policy will provide you with protection from any detriment, provided your concern is raised in good faith and in line with section 4 below.

This Whistleblowing Policy is intended to be an umbrella policy to ensure serious concerns that may potentially fall outside the scope of other policies are covered. These may include:

- Unlawful or improper conduct
- Financial malpractice
- Dangers to the public, colleagues, or the environment
- Breaches of confidentiality and/or security
- A colleague's professional conduct and/or performance
- Something that is against the Council's Constitution, policies and procedures
- Other unethical conduct

Examples of where the policy may be used include:

- An employee becomes aware that the Council's policies and procedures or other regulations governing the work of the Authority have been ignored.
- An employee becomes aware of another employee submitting false travel or time sheets
- Employee becomes aware that an officer is contravening legislation on Health and Safety Issues

4. What is expected of you?

- 4.1 If you make a disclosure to someone within the Council, you are expected to:
- Make the disclosure in good faith and reasonably believe that it is made in the public interest
 - Have a reasonable grounds for suspicion about the malpractice; and
 - Not make the complaint for personal gain or make malicious or vindictive complaints as this could result in disciplinary action

5 How are you protected?

- 5.1 If you act in good faith and in the public interest and comply with the expectations above, you will be protected from discrimination (and detriment) as a result of raising a concern. In particular, you will be protected from harassment or victimisation (this does not mean that no action will be taken against you if you were involved in a fraudulent activity). This may include agreement to alternative working arrangements during any consequential investigation into the allegations.
- 5.2 The Council will not tolerate the harassment or victimisation of anyone who raises a concern. The Council recognises, however, that there may be occasions when you want to raise a concern in confidence rather than approach your manager direct. Where this is the case, your identity will be protected and not disclosed without your consent. Should a situation arise where the matter concerned cannot be resolved without revealing your identity (for example, because your evidence is needed in court), then the person investigating the matter will discuss with you how to proceed.

6 How to raise your concerns

- 6.1 Please raise your concern with your manager or director/corporate manager first, either orally or in writing.
- 6.2 If, for whatever reason, you do not wish to raise the concern with your manager or director/corporate manager please contact either:

The Council's statutory monitoring officer, Baan Al-Khafaji,
Director Corporate Services
Civic Centre, Paris Street, Exeter, EX1 1JN
Telephone: (01392) 265874 or

Internal Audit
Civic Centre, Paris Street, Exeter, EX1 1JN
Telephone: (01392) 265631

- 6.3 You can also contact a trade union representative for advice and assistance on how best to proceed.
- 6.4 If you:
- consider the matter is so serious that you do not wish to discuss it with any of the above, or
 - still have concerns after raising your concern with any of those listed at 6.2 above, then please contact the Chief Executive, & Growth Director Civic Centre, Paris Street, Exeter, EX1 1JN. Telephone: (01329) 265188
- 6.5 To be protected by whistleblowing legislation, you should usually make a disclosure to your employer first, but if you feel unable to use this procedure the disclosure can be made to a 'prescribed person'. Disclosures relating to local authorities can be made to the external auditor of the relevant authority or the Comptroller and Auditor General. To make a disclosure to the authority's external auditor, please contact:

Grant Thornton UK LLP
2 Glass Wharf
Bristol BS2 0EL

T +44 (0)117 305 7600
www.grant-thornton.co.uk

To make a disclosure to the Comptroller and Auditor General, please contact the National Audit Office below:

The Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP
Tel: 020 7798 7999

[Contact form - National Audit Office \(NAO\)](#)

6.6 The procedure for dealing with disclosures is detailed at Appendix A.

7 Independent advice

7.1 If you are unsure about using this policy or want independent advice, you can contact the independent charity, Protect (formerly Public Concern at Work)

Telephone 020 3117 2520

[Contact our Advice Line - Protect - Speak up stop harm \(protect-advice.org.uk\)](https://protect-advice.org.uk)

Their advisers will give you free confidential advice at any stage about how to raise a concern at work, and will support and advise you on the law and how best to proceed.

8 If you are dissatisfied with the way your concern is dealt with

8.1 If you are unhappy with the response or feedback you get from the investigating person, then you can always raise your concern with the Chief Executive & Growth Director or seek advice from Protect.

9 Review

9.1 This policy will be reviewed biennially and was last reviewed April 2022. Updates to the policy may be made between reviews as necessary.

PROCEDURE FOR DEALING WITH A DISCLOSURE

Definition of Qualifying Disclosure

The Public Interest Disclosure Act 1998 specifies 'Qualifying Disclosures' as follows:

- a criminal offence;
- a breach of a legal obligation;
- a miscarriage of justice;
- a danger to the health and safety of any individual;
- damage to the environment; or
- deliberate covering up of information tending to show any of the above five matters

Concerns of financial impropriety:

Where the concern involves financial irregularity, the matter must be referred to Internal Audit for investigation in accordance with the Council's Counter Fraud Strategy. Once the investigation is concluded, Internal Audit must report the outcome of the investigation (including any recommendations for improving areas of weakness) to the Council's Monitoring Officer and the relevant director/corporate manager.

Making a disclosure

Concerns raised/disclosures will be dealt with under the following stages. Not all disclosures will follow the full sequence of Stages. The action taken by the Council will be reasonable and proportionate, depending on the nature of the concern.

Stage 1 – Informal resolution

The person receiving the disclosure should decide with the person raising the concern, on the basis of the information provided, how the matter can best be resolved. This may include informal resolution or formal consideration

If possible, all concerns should be resolved by the relevant manager informally. The person raising the concern may do this orally or in writing and they should give as much information as possible about:

- The nature of the problem
- The background (with dates if possible)
- Who is involved
- The reasons for the concern

If you are raising a concern and are unable to raise the matter with your Line Manager you are advised to speak to another manager, Internal Audit or a member of the Human Resources Team who should consider whether the matter can be resolved informally as set out above or referred for formal consideration as detailed below.

Stage 2 – Formal procedure

Where the matter cannot be resolved informally because this is not appropriate or informal resolution has not been satisfactory a formal disclosure should be made to the Monitoring Officer – Director Corporate Services, Internal Audit or the Chief Executive and Growth Director.

The person who has received the disclosure will take or instigate any necessary urgent action to protect the individual, public interest, evidence etc.

At this stage, the person raising the concern (the 'Whistle-blower'), will be asked whether he or she wishes their identity to be disclosed and will be reassured with regard to protection from possible reprisals or victimisation

Stage 3 – Initial response to a formal disclosure

The person receiving the disclosure should acknowledge the concern in writing within 5 working days giving details of:

- The name of the person who is handling the investigation, this could be management or it could be someone external, for example the Council's external auditors, depending on the nature of the concern
- How he/she can be contacted
- Details of assistance that may be required

The person named as the investigating officer above must:

- investigate the matter personally or appoint an appropriate officer to do so
- advise the monitoring officer of the details of the allegation

The Whistle-blower will be notified of the intended response to the disclosure and the reasons for it.

Stage 4 – Management investigation

Where the decision has been made to carry out a management investigation, a senior manager or other person will be appointed as an investigating officer. This should be someone with expertise in the area in which the concern has been raised.

The investigation will be carried out under the strictest confidentiality. The investigation is essentially a 'fact finding' exercise, to establish what further action may be necessary and make recommendations accordingly.

The Investigating Officer, or their appointed representative, must:

- conduct the investigation
- follow the Council's Management Guide to Disciplinary Procedures, which includes the requirement to follow the principles of natural justice.
- comply with the requirements of the Human Rights Act 1998
- where anonymity is requested, ensure that every effort is made to honour confidentiality
- propose an action plan for necessary improvements
- report the outcome of the investigation to the Council's Monitoring Officer and relevant Director/Corporate manager
- update the whistle-blower of progress to date

The investigation may serve as the information gathering part of Exeter City Council's disciplinary procedure. In such cases this will be made clear to any people who may be subject to such investigation.

Stage 5 – Responding to management investigation

If the result of the investigation is that there is a case to be answered by any individual, the recognised procedure will be followed.

The amount of contact between the officers considering the issues and the employee/councillor raising the concern will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information may be sought from the whistle-blower.

Where there is no case to answer, but the whistle-blower held a genuine concern and acted in accordance with the expectations as detailed in this policy, Exeter City Council will ensure that they

suffer no reprisals or victimisation, as far as is reasonably practicable. Considerations will include Exeter City Council's duty to provide a healthy and safe working environment for all.

Stage 6 – Confirmation of the outcome

So far as legally possible and subject to rights of confidentiality, the whistle-blower will be informed of the outcome of the investigation and how the matter has been resolved.

If the whistle-blower is unhappy with the response or feedback from the investigating person, then the concern can be raised with the Chief Executive & Growth Director or advice sought from Protect.

Employees who take a concern outside the Council should ensure that they do not disclose confidential information, except in accordance with this procedure.

Recording and reporting

The Monitoring Officer will keep a central register of all whistle-blowing complaints received and submit an annual report to the Audit and Governance Committee setting out the number of complaints received and the outcome of each investigation conducted, together with any action plan for improvements put forward by the Investigating Officer.

Responsibility for implementing this Policy

The responsibility for ensuring that Exeter City Council adheres to this Policy rests with all Managers.

Legislation

Legislation relevant to this policy includes:

- Public Interest Disclosure Act 1998
- The Enterprise and Regulatory Reform Act 2013

Other related policies and procedures

Counter Fraud Strategy
Anti-Money Laundering Policy
Grievance Policy
Disciplinary Policy

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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 27 July 2022

REPORT TO COUNCIL

Date of Meeting: 18 October 2022

Report of: Director Finance

Title: Annual Governance Statement– 2021/22

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 The report sets out the Annual Governance Statement that will accompany the Council's Statement of Accounts for 2021/22.

2. Recommendations:

It is recommended that:

2.1 Audit and Governance Committee supports the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2021/22; and

2.2 Council notes and approves the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2021/22.

3. Reasons for the recommendation:

3.1 The Council is required to prepare and publish an Annual Governance Statement by Regulation 4 of the Accounts and Audit (England) Regulations 2011. It reports on the Council's performance against the Code of Corporate Governance. The Code of Corporate Governance was last approved by the Audit and Governance Committee on 9 March 2022.

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

4.1 There are no resource implications contained within the report.

5. Section 151 Officer comments:

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

6. What are the legal aspects?

6.1 The Annual Governance Statement complies with Regulation 4 of the Accounts and Audit (England) Regulations 2011.

7. Monitoring Officer's comments:

7.1 Local authorities are required to ensure that their 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. In discharging this overall responsibility, the council is required to have proper arrangements in place for the governance of its affairs, facilitating the effective exercise of its functions and ensuring arrangement are in place for the management of risk.

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

8. Report details:

Background

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

8.2 The Annual Governance Statement should include the following information:

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

- internal audit
- other explicit review/assurance mechanisms

- An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

8.3 The Annual Governance Statement is attached at Appendix A.

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

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

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

10.1 There are no direct risks associated with this report

11. Equality Act 2010 (The Act)

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

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

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

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

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

11.4.1 The report does not set policy.

12. Carbon Footprint (Environmental) Implications:

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

13. Are there any other options?

13.1 Not applicable.

Director Finance, Dave Hodgson

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

Background papers used in compiling this report:-

None

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



Exeter City Council

Annual Governance Statement

2021-22

Scope of Responsibility

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

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

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

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

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

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

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Exeter City Council for the year ended 31 March 2022 and up to the date of the approval of the annual statement of accounts.

The Governance Framework

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Council' Strategy 2018-21 (updated Autumn 2020). The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

The local Code of Corporate Governance is reviewed annually through the Audit and Governance Committee and was last reviewed and recommended for approval by Council on 19 April 2022. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Strategic Management Board (SMB) which comprises the Chief Executive and Growth Director, Directors, Director Finance (Section 151), Director Corporate Services (Monitoring Officer).

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

Annual Governance Statement



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Audit & Governance Committee

(Challenge the draft AGS and supporting evidence. Approve AGS)

Strategic Management Board

Internal Audit

(Review of system of internal Control)

Section 151 Officer

(Promote & Deliver Good Financial Management)

Monitoring Officer

(Legal & Ethical Assurance)

Code of Corporate Governance

(The Council's commitment to good governance based on the seven principles of CIPFA/SOLACE framework)

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

- 'Our Strategy' 2018-21
- 'One Exeter' Programme
- Risk Management Policy & procedures
- Business Continuity Policy & Plans
- Corporate Risk Register
- Health & Safety Committee
- Corporate Safeguarding Group
- Corporate Complaints Procedure
- Surveys/Focus Groups
- Exeter Citizen
- Record of public consultations
- Equalities and Diversity Policy
- Access to Information Policy
- FOI Publication Scheme
- Website transparency pages
- Information Governance Framework
- Information Security Policy
- Petitions Process
- Partnership Protocol

Finance

- Medium Term Financial Strategy
- Budget Monitoring Process
- Treasury Management Strategy
- Statement of Accounts
- Annual Governance Statement
- Prudential Code for Capital Finance
- Statement on the role of CFO
- Statement on the role of HIA
- Counter Fraud Strategy
- Anti-Money Laundering Policy
- Whistleblowing Policy
- Fraud reporting on website
- 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:

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

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Risk Management

Responsibility for Risk Management sits with the Audit and Governance Committee and they review the Corporate Risk Register (CRR) on a quarterly basis. The Council's Strategic Management Board (SMB) are responsible for constantly reviewing the risks being posed to the Council and ensuring that significant risks are recorded on the CRR along with the mitigating actions. Service Leads monitor risks at operational level and feedback any issues to their Director. Any significant risks, at operational level, that could impact the Council corporately are escalated to the CRR. The administration of the CRR is with Internal Audit and one of the Audit Managers meets with the Chief Executive and Growth Director and Directors on a regular basis to review the CRR prior to review by SMB. Internal Audit are working with Service Leads to review operational risk registers and offer any advice and guidance as needed. The system seems to be working well to date.

Financial Management Arrangements

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

Internal Audit

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

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

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

External Audit

The Council's external auditor (Grant Thornton) has not yet issued a certificate of completion in respect of 2020/21, as this is pending the issue of a report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and also until they are able to complete the work necessary to issue a Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2021. It should be noted that the WGA for 2020/21 was significantly delayed by HM Treasury and is not due to be submitted by the Council until 31 July 2022.

Corporate Complaints

During 2021-22, responsibility for complaints monitoring was moved from the Corporate Support Unit to the Customer Service Team and also moved from a heavily manual system of recording to a more automated system. Complaints are now made online which allows the complaint to be workflowed and provides a greater level of reporting. As a result, the level of corporate complaints has dropped considerably to 13 (73 in 2020-21).

Performance Management

The Council's Corporate Plan 'Our Strategy 2018-21' was approved by Executive on 9th October 2018 (updated Autumn 2020). To support this strategy, the Council's Operational Management Board were tasked with devising and implementing a performance management framework to show how the Council is progressing towards achieving strategic objectives and to prioritise resources. This framework has been drafted for approval by the Strategic Management Board. However, the global pandemic meant that this work was subsequently put on hold. As recovery from the pandemic continues, performance management will form an integral part of the 'One Exeter' programme.

Key Issues 2021-22

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, three key issues have been identified for 2021-22 shown in the table below. Progress will be subject to regular monitoring by the Audit and Governance Committee.

Issue No.	Issue Identified	Summary of Action to be Taken
1	Financial position – The Government's continued delays in implementing the Fair funding review and business Rates reset have led to further uncertainty over the Medium term Financial Plan. However, the financial position remains precarious with significant reductions required to balance the budget over the medium term. Not all reductions are underpinned by Government decisions and therefore even if the plans were to be dropped, the Council would still require reductions of around £5m. There are significant headwinds affecting the Global economy and this is producing cost pressures which affect the Council.	One Exeter plan is operational and being progressed. Specific reduction targets have been set for each year of the plan. This is being monitored monthly by SMB. Clear programmes of work are in place and are being actioned.
2	Net Zero 2030 – the Council has set a net zero target date of 2030 for council operations as opposed to the Devon County Council and central government target of 2050. In setting this central government target, the Committee on Climate Change (CCC) recognised that whilst this target is technically feasible it is highly challenging without sustained policy interventions across several sectors, many of which will be complex, costly and time-consuming. In choosing to set a target 20 years ahead of national and other locally set targets is high risk. However, this has already been recognised and will be monitored by the Audit & Governance Committee as part of the corporate risk register process.	To be monitored as part of the Corporate Risk Register monitoring process.

Key Issues 2020-21

Issue No.	Issue Identified	Summary of Action to be Taken
3	<p>Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake-up of operations and control systems. These factors include the following:</p> <ul style="list-style-type: none"> • external factors e.g. regulatory change and compliance, climate change • internal factors e.g. The One Exeter project to deliver the digitalisation/transformation of service delivery 	<p>The Audit Managers have been involved in a number of the One Exeter work streams, including the service review process and production of the 'How to' guidance for service leads. Involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program and this work will continue as the project develops.</p> <p>Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes.</p>

Approval of the Annual Governance Statement

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

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Signed:

Date:

Councillor Wardle

Chair of Audit & Governance Committee

Signed:

Date:

Dave Hodgson CPFA

Director Finance & Section 151 Officer

Signed:

Date:

Councillor Bialyk

Leader of the Council

Signed:

Date:

Karime Hassan

Chief Executive & Growth Director

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 27 July 2022

Report of: Assistant Director of Housing

Title: Homes England Compliance Audit

Is this a Key Decision?

No

Is this an Executive or Council Function?

No

1. What is the report about?

1.1 The following report provides feedback from a recent Compliance Audit carried out by Homes England on the back of funding awarded to the Council to purchase properties under the Next Steps Accommodation Programme.

2. Recommendations:

2.1 To recommend that Committee acknowledge the content of the report.

3. Reasons for the recommendation:

3.1 The Compliance Audit was undertaken by an Independent Auditor, Thomas Westcott Chartered Accountants, in September 2021 and their findings and recommendations were presented to Homes England. The following report is an acknowledgement, from Homes England, of that Independent Audit.

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

4.1 The Independent Audit cost the Council £2,200 to carry out.

5. Section 151 Officer Comments:

5.1 Members should take comfort from the positive outcome of the audit, which will stand the Council in good stead when it comes to future opportunities to bid for Government funds.

6. What are the legal aspects?

6.1 None identified

7. Monitoring Officer's comments:

7.1 The green rated Audit is noted and welcomed.

8. Report details:

8.1 In 2020, The Council were awarded £821,755 from the then Ministry of Housing Communities and Government (MHCLG), now known as Department of Levelling Up, Housing and Communities (DLUHC), towards the purchase of five one-bedroom former Exeter City Council properties and a six bedroom House in Multiple Occupation (HMO) under the Next Steps Accommodation Panel (NSAP). The funding grant is administered through Homes England.

8.2 Homes England are an executive non-departmental public body sponsored by DLUHC, and part of the grant requirements is that Homes England undertake an annual Compliance Audit programme to provide assurance that organisations receiving grant have met Homes England requirements and funding conditions have properly exercised their responsibilities as set out in the Capital Funding Guide.

8.3 The Council received formal notification from Homes England on the 24th June 2021 that the Council had been selected for the audit this year. The Council purchased a six bedroom HMO in spring 2021 and this property was selected to be audited.

8.4 The Council were required to appoint an independent auditor and Thomas Westcott, was selected to carry out the audit.

8.5 The Audit commenced on the 31st August 2021 in order to meet the deadline with Homes England of the 15th September 2021.

8.6 The outcome of the report can be found in Appendix A

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

9.1 The purchased properties contribute to the Council's Corporate Plan in the following areas:-

- Building great neighbourhoods - By tackling social inequality through maximising homelessness preventions and reliefs and providing high quality temporary accommodation for rough sleepers and people in housing need.
- Promoting active and healthy lifestyles - Supporting homeless households to live in high quality temporary accommodation and to recover from homelessness.

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

10.1 No risks have been identified as on review of the evidence provided, the outcome of the audit has shown that the Council has complied with all the programme requirements and guidance. A GREEN grade has been assigned and no breaches were identified.

11. Equality Act 2010 (The Act)

11.1 The properties purchased will be retained within the Councils' Housing Needs Department and will provide temporary accommodation for people in need. The allocation of the properties will be inclusive and will work with people who are rough sleeping on the streets of Exeter or at risk of homelessness regardless of who they are or where they come from.

Carbon Footprint (Environmental) Implications:

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

12. Are there any other options?

12.1 The Council were required to appoint an Independent Auditor to carry out the audit on the six bed property under the Next Steps Accommodation programme

12.2 Compliance Audits check the Councils' compliance with Homes England's policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the Council and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches' in this report. Breaches are used as the basis for recommendations and final grades for the Council.

Assistant Director of Housing: Lawrence Blake

Author: Chris Stocks

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

Background papers used in compiling this report:-

Homes England Compliance Audit Report 2021/22

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

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Compliance Audit Report – 2021/22

18UC – Exeter City Council

Final Grade	Green - Meets requirements
Independent Auditor Organisation	Thomas Westcott
Independent Auditor Name	Shona Godefroy

Report Objectives and Purpose

Compliance Audits check Provider compliance with Homes England's policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the Provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches' in this report. Breaches are used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided on page 2 of this document.

Further information is available at: <https://www.gov.uk/guidance/compliance-audit>.

Provider's Acknowledgement of Report

The contents of this report should be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement should be recorded in the IMS Compliance Audit System by your Compliance Audit Lead on behalf of your Board's Chair or equivalent. Online acknowledgement should be completed within three calendar months of the report email notification being sent.

Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.



Compliance Audit Grade Definitions

Green Grade	No high or medium severity breaches identified, although there may be low breaches identified. The Homes England audit report will show that the provider has a satisfactory overall performance but may identify areas where minor improvements are required.
Amber Grade	One or more medium severity breaches identified. The Homes England audit report will show that the provider has failed to meet some requirements but has not misapplied public money. The provider will be expected to correct identified problem(s) in future schemes and current developments.
Red Grade	One or more high level severity breaches identified, the Homes England audit report will show that the provider has failed to meet some requirements and there has been a risk of misapplication of public funds.

Compliance Audit Grade and Judgement

Final Grade	Green - Meets requirements
Judgement Summary	On review of the evidence provided, the outcome of the audit has shown the provider has complied with all the programme requirements and guidance. A GREEN grade has been assigned and no breaches were identified.

Scheme/Completions details

Scheme ID/ Completion ID	Address/Site ID	Scheme type
1022017	31 Heavitree RoadHeavitree ROad,EX1 2LG	Next Steps Accommodation - Capital



Audit Results

Number of Schemes/Completions Audited	1
Number of Breaches Assigned	0
Number of High Severity Breaches	0
Number of Medium Severity Breaches	0
Number of Low Severity Breaches	0

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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 27 July 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 the 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 & 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 & 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 In respect of the financial risks on the register, it is clear that the current economic challenges will have a significant impact on the Council's financial position. The impact of the pay award, higher fuel and utility costs and general supplies and services will cause budget pressures. Whilst these may be offset by challenges in recruiting staff and acquiring products and services, the reality is that the cost pressures will be embedded into the future.

6. What are the legal aspects?

6.1 None identified

7. Monitoring Officer's comments:

7.1 The content of this report raises no issues for the Monitoring Officer.

8. Report details:

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

- **Risk 1 Failure to deliver anticipated benefits of major projects**

As St Sidwell's Point has now been delivered, it has been agreed by SMB to remove this risk.

- **Risk 2 Insufficient business continuity arrangements to recover critical services effectively**

SMB have agreed that that this item has been mitigated to low risk and can therefore be removed from the Corporate Risk Register (CRR) to be managed as part of the Executive Support Operational Risk Register.

- **Risk 3 Inability to deliver Carbon Net Zero aspirations for Exeter by 2030 (External)**

This risk is an external risk and relates to Exeter City (as a whole) becoming Net Zero by 2030. It is a separate target and risk and one that Exeter City Council have devolved to Exeter City Futures (ECF). The Chief Executive & Growth Director is taking a paper on this issue to Executive in June/July which will clarify the Council's intentions. Following that paper, ECF will produce a Risk Register against this target for the City which can be appended to the Council's CRR but is essentially a separate register given the limit of the Council's direct control over the City wide target.

- **NEW Risk 9 Inability to deliver Carbon Net Zero aspirations for Exeter City Council operations by 2030 (Internal)**

At the request of Members, with effect from June 2022, this risk is now the subject of a separate Risk Register to be presented half yearly to the Audit & Governance Committee by the Corporate Energy Manager, Net Zero Team.

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:

12.3 There are no direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

13.1 Not applicable.

Chief Executive & Growth Director

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

Background papers used in compiling this report:-

None

Contact for enquires: Democratic Services (Committees)
Room 4.3601392 265275

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Corporate Risk Register

Review Month: June 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>Failure to deliver anticipated benefits of major projects</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Failure to procure appropriate operator for leisure centre - Adverse weather / other delays typical of such projects <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Increased costs to Council from project overspends or overruns - Not realising financial and cultural benefits anticipated from project delivery - Damage to Council's reputation and reduced credibility to deliver major projects in future 										
Page 115	October 2017	JP Hedge - Director Culture, Leisure and Tourism	3	3	9	<ul style="list-style-type: none"> - Recruited experienced Project Manager, Quantity Surveyor and delivery team - Established high level Programme Board to oversee progress and delivery - Contractor appointed to build the facility, following a 2 stage collaborative approach in procurement. - Fixed price Design & Build Contract, with a limited amount of Provisional Sums. - Technical Assurance & 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. 	2	3	6	- Ongoing reporting of progress and potential issues to Client lead.	Ongoing October 2020
<p>Tracking Notes and Monitoring:</p> <p>June 2022:</p> <p>As St Sidwell's point has now been delivered, proposed by JPH that this risk be removed to be agreed by SMB.</p>											

Corporate Risk Register

Review Month: June 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		
2	Insufficient business continuity arrangements to recover critical services effectively <u>Potential Causes:</u> - Critical services not identified - Insufficient plans in place to recover critical services - Lack of testing of plans to ensure arrangements suitable <u>Potential Impacts:</u> - Essential services not recovered in timely fashion - Adverse media and public criticism leading to lack of trust in council - Non compliance with Civil Contingency Plan										
Page 116	April 2013	Karime Hassan - Chief Executive & Growth Director	3	4	12	- List of critical services agreed with SMB - Corporate Business Continuity Plan approved by SMB which sets out roles and responses to certain events (loss of building, loss of ICT etc.) - IT Disaster Recovery Plan in place - Business Continuity plans developed for all L10Critical services - 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. - The Corporate Business Continuity Plan has been reviewed and an updated version will be published shortly.	2	2	4	- Updated Corporate Business Continuity Plan to be brought to the attention of all managers who will be required to review and update the business continuity plans for their services. - Regular updating and review of service plans has been happening as part of the response to the Covid pandemic - Business continuity testing to be carried out in line with corporate policy - Working with Teignbridge District Council we have been working with an external company to review our cyber security, information security and ICT disaster recovery plans. The outcome of this review is due by the autumn.	September 2022 October 2022
Tracking Notes and Monitoring: July 2022: The updates to this item in red above have been provided by the Corporate Manager Executive Support, who now feels that this item has been mitigated to low risk and can therefore be removed from the CRR to be managed as part of the Executive Support Operational Risk Register to be approved by SMB											

Corporate Risk Register

Review Month: June 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		
3	<p>Inability to deliver Carbon Net Zero aspirations for Exeter by 2030 (External)</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Financial pressure and economics of carbon reduction - Behavioural challenges over influencing businesses and public - Technical capability to deliver - Lack of control over all stakeholders (businesses, visitors etc.) - Political environment and acceptance of policy changes required - Misalignment with Devon Climate Plan - Failure to engage with resident and business of Exeter to ensure solutions proposed meet real need <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Reputational - Failure to deliver inclusive growth and retain vibrancy of Exeter as a great place to live - Conflict within Region - Short term changes may not be sustainable 										
08.11.19	Executive	4	3	12	<ul style="list-style-type: none"> - Strategic partnerships - 12 Goals defined for the city to provide framework for carbon net zero. Goals reflect priorities of business and residents - Plans in place to develop roadmap for carbon net zero 2030 - Other major public sector organisations have already committed to becoming carbon neutral (e.g. University of Exeter, Devon County Council)- - 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. 	4	3	12	<ul style="list-style-type: none"> - Continue to invest in supporting ECF as a partner organisation to ensure that the ambition to be net-zero is continually communicated and residents and businesses are engaged; ensuring all voices are heard and the solution being developed are benefitting the residents and business. - Improve national communication positioning Exeter as a leading sustainable City highlighting what we are doing - through ECF and Livable Exeter activities - Ensure clear alignment with DERG and national climate action plans to ensure Exeter's plan is incorporated 	Apr-30	
<p>Tracking Notes and Monitoring:</p> <p>June 2022: A greenhouse gas emissions inventory sector by sector has been produced by SWEEG and reported to Scrutiny Committee on 16th June 2022. This identifies the detailed actions required to deliver Net Zero 2030. The scale of the task is massive and there is presently no indentified resource plan to support the necessary actions. Many of the installations, such as: expansion of district heat networks, PVs, cavity and solid wall installations, electric charging infrastructure for vehicles, the pace of up take for Electric vehicles require financial, legal and and policy support. Some sectors do have support for the type of changes required but presently it is not possible to state with confidence that the required tools will be available to delive ron the 2030 timeline. In particular owner occupied residential stock and commercial buildings will need a financial mechanism to be identified. Policy measures are being rolled out and often with financial incentives and the picture could change quickly in support of a net zero goal. based on the trajectory idetified in the Greenhouse gas emissions report a red flag would be appropriate.</p>											

Corporate Risk Register

Review Month: June 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		
4	<p>Failure to meet Exeter's Housing supply needs as a planning authority and meet strategic 5 years ambitions</p> <p>Potential Causes:</p> <ul style="list-style-type: none"> - Inadequate Land supply - Not granted enough planning permissions - Student development cannot be included in housing supply figures - House builders drip feeding - Political / community buy in to developments - 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. <p>Potential Impacts:</p> <ul style="list-style-type: none"> - 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. - Financial risks with increased appeals, and potentially lost income - Social outcomes - inequality, rising social service costs - significant waiting list - Reputational impact if development on not appropriate location 										
Page 118	June 2013	Ian Collinson-Director City Development	4	3	12	<ul style="list-style-type: none"> - Brownfield opportunities identified and developed into the Liveable Exeter strategy - The Liveable Exeter programme has secured further funding to support work on the Liveable programme - Higher density developments being encouraged within the city centre. - Social Housing being developed following the lifting of borrowing cap-ambition for 500 homes over 10 years' - Appropriately briefing members to ensure robust decision making processes - The Council is currently able to demonstrate a housing land supply of 4 years and 8 months against the 5 year requirement 	3	2	6	<ul style="list-style-type: none"> - 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) - Selling positive image of high quality high density brownfield developments through the Liveable Exeter programme. - using existing planning policy to resist inappropriate development proposals in order to continue to protect the character and beauty of the city. - regular updating of the 5 year land supply position in order to closely monitor land supply in the city 	Ongoing
<p>Tracking Notes and Monitoring:</p> <p>March 2022:</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> <p>June 2022: No update</p>											

Corporate Risk Register

Review Month: June 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		
5	<p>Failure to adapt council workforce to ensure appropriate skills and experience</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Ageing workforce (half of staff over 50, considerable enough) - Difficulty to recruit into key areas - professional areas (planners, lawyers) - Empowerment, skills and engagement of managers to enable this change <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Loss of experience - Increased spending on agency workers - Not having cost effective council services delivering the right outcomes - Service disruption - Cost of appeals / challenges across the council services - Increased stress / pressure on workforce 										
Page 119	June 2019	Baan Al-Khafaji Director Corporate Services	3	3	9	<ul style="list-style-type: none"> - Market supplement scheme in place - Apprenticeship opportunities for new and existing staff - Employing part qualified staff and training them (internal and external) - procurement, planning etc. - Improvements in metric tracking (age, gender, skills profiles) - Business Partnering model allowing for greater collaboration between service areas and HR - Metrics reported to SMB 	2	3	6	<ul style="list-style-type: none"> - Ensure robust implementation of new workforce planning process (local mgmt team led) - Utilising agile program to compliment modernisation of work environment - Review of progress against GDR. 	Ongoing
<p>Tracking Notes and Monitoring:</p> <p>March 2022: No further update received</p> <p>June 2022: No further update received</p>											

Corporate Risk Register

Review Month: June 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		
6	Maintaining the Financial Sustainability of the Council										
	<p>Potential Causes:</p> <ul style="list-style-type: none"> - 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. - Inability to deliver £6.6m savings target over four year period. - Inability to grow Exeter city centre and associated business rates etc. - Policy, regulatory or legislative changes which are not fully funded from central govt. - Failure to realise commercial ambitions of council. <p>Potential Impacts:</p> <ul style="list-style-type: none"> - unable to balance budget. - reduced income for council services. - larger than anticipated cuts (in year or over longer term). - reduction in reserves. - impacts on council services and therefore resident outcomes. 										
	January 2018	Dave Hodgson - Director Finance	4	4	16	<ul style="list-style-type: none"> - Detailed MTFP assessed and agreed with Members - One Exeter plan agreed and being implemented with suitable governance arrangements in place. - Budget for 2022-23 agreed with significant reserves to protect against Covid related income losses. - Significant investment in city centre regeneration (St Sidwell's point & bus station) including developing a new vision for the rest of the site which includes mixed use - Business Development manager extended to continue to identify and grow commercial opportunities - Strong level of unringfenced general fund reserves to protect against shocks 	2	4	8	<ul style="list-style-type: none"> - Continue to respond to consultations making case for council - Lobby government for relaxation of council tax increase restrictions - 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. - Significant funding in an earmarked Reserve to protect against income shortfalls or timing issues with reductions. 	Dec-22
<p>Tracking Notes and Monitoring:</p> <p>June 2022:</p> <p>Still uncertainty over the timing of Government decisions, but the fragile state of the Global Economy and inflationary pressures mean that costs are rising faster than predicted. This will result in reductions being required regardless of Government decisions.</p>											

Corporate Risk Register

Review Month: June 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		
7	Increased cost of all capital building Projects										
	<p>Potential Causes:</p> <ul style="list-style-type: none"> - Shortages of materials and labour causing delay and increased costs across the capital programme. - Interest Rate rises causing the cost of borrowing to rise significantly. <p>Potential impacts</p> <ul style="list-style-type: none"> - Increased costs to Council - Delay in all projects, predominantly the condition survey projects and HRA programme, leading to prolonged periods of buildings being below the standard the Council is aiming for. 										
	August 2021	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 arising.	4	4	16	Review existing capital programme with a view to deferring and removing schemes	Dec-22
	<p>Tracking Notes and Monitoring:</p> <p>July 2022: Interest rates have increased by more than 1% since the turn of the year adding over £10,000 per million borrowed. This will have a negative impact on the revenue position of the Council.</p>										

Corporate Risk Register

Review Month: June 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		
8	<p>Failure to deliver the Liveable Exeter Programme</p> <p>Potential Causes:</p> <ul style="list-style-type: none"> - a challenge to the viability of development - inadequate funding for brownfield land regeneration - lack of staff resources to support the work - inability to address complex land assembly and infrastructure challenges - significant abnormal costs associated with this type of programme <p>Potential impacts</p> <ul style="list-style-type: none"> - increased costs to the Council - carbon neutral not achieved by 2030 - city housing needs not met by 2040 - new communities not created - active and accessible city aspirations not met - new homes do not meet Garden City principles - housing built in locations the council is seeking to avoid 										
	Nov 21	Ian Collinson-Director City Development	4	4	16	<ul style="list-style-type: none"> - Brownfield land release fund: <ul style="list-style-type: none"> - project management capacity brought in - sites included in ECL business case - Director of Planning & Development appointed - examples of the strategic investment required are the housing infrastructure fund (HIF) and other strategic investment funds such as administered by One Public Estate and the Department for Levelling Up, Housing and Communities - some funding has been secured on an annual basis from Homes England - LDA design commissioned to produce Marsh Barton Development framework - DCC & ECC progressing work on development brief for Southgate 	3	3	9	<ul style="list-style-type: none"> work to be undertaken with One Public Eestate on the Exeter City Fund concept - there needs to be a willingness to acquire land and property to move forward in a sensible phased programme including a willingness to compulsory purchase land - need to step up the support commensurate with the scale and pace of development required - new local plan that includes the vision and principles as part of the formal planning policy - the Council adopts an enabling culture rather than relying on a regulatory culture - Exeter City Living to lead by example - 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 - draft tender for parking strategy - City Fund outline business case in draft with Scrutiny Committee - Officer to continue to approach landowners in key locations to bring forward key sites in the programme 	Nov-24

Corporate Risk Register

Review Month: June 2022

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Tracking Notes and Monitoring: June 2022: Joint Scrutiny Committee has held three meetings to better understand the city development fund concept. This has identified the outline business case, the failings with the current business as usual model, the opportunities with development corporation models of delivery, and the challenges to viability as a consequence of the current approaches to funding development. Two more sessions are scheduled for scrutiny to conclude its consideration of the concept prior to Executive considering the proposal. The level of resources required to support an ambitious regeneration programme is significant and the development corporation model, could be a means to secure greater resources to the programme. There are tangible examples of progress being made with the programme and progress with the local plan preparation. Developer interest in Water Land area is encouraging and points to progress. However, strategic uncertainty is hitting confidence in the construction sector where inflation is hurting viability.											

Corporate Risk Register

Review Month: June 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		
9	Inability to deliver Carbon Net Zero aspirations for Exeter City Council operations by 2030 (Internal)										
	At the request of members, with effect from June 2022 this risk is now the subject of a separate risk register to be present half yearly to the Audit & Governance Committee by the Corporate Energy Manager, Net Zero Team										

REPORT AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 27 July 2022

Report of: Net Zero Exeter & City Management

Title: City Council Net Zero Risk Register

Is this a Key Decision?

No

Is this an Executive or Council Function?

No

1. What is the report about?

1.1 To introduce the City Council's Net Zero Risk Register and assess the risks to deliver Net Zero within the City Council by 2030.

1.2 To identify risks in delivering net zero within the City Council, for each carbon emission scope, and for the organisation as a whole.

2. Recommendations:

2.1 That the City Council's Net Zero Risk Assessment is noted and approved and the risk assessment is reported to Strategic Scrutiny on a regular basis.

3. Reasons for the recommendation:

3.1 To highlight the risks associated with reducing City Council carbon emissions. To enable the Net Zero team to strategically plan resources, organisational change and budget to deliver activity and progress to support one of the main City Council's corporate priorities.

3.2 To enable risk associated with reducing City Council carbon emissions to be measured, monitored, reported on and incorporated into all City Council processes.

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

4.1 Financial and non-financial resources to reduce City Council carbon emissions are in place, which is detailed in a report to Executive July 2022. Further work will be developed on resources required, which will be discussed later this year in a report to Strategic Scrutiny, Executive and Council.

4.2 Further work will be undertaken to complete a detailed risk assessment related to each service area and scope, to identify financial and non-financial resources needed for the City Council to achieve net zero by 2030.

4.3 Achieving net zero, whether nationally, locally or organisationally, requires broad action across all emission scopes and by every service. Reducing City Council carbon

emissions will be very challenging in such a tight time frame and with the resources currently available to the team.

5. Section 151 Officer Comments:

5.1 The report highlights the financial risks surrounding delivery on Net Zero by 2030. This is a significant risk, given the Council's limited ability to increase its resources. The Council is a hugely significant property owner with thousands of properties to address. This will be a substantial challenge in itself alongside the other areas of concern.

6. What are the legal aspects?

6.1 None identified

7. Monitoring Officer's comments:

7.1 This report raises no issues for the Monitoring Officer.

8. City Council Net Zero Risk Register

8.1 Spring 2022 the Net Zero team commissioned a carbon footprint baseline report by the Net Zero team, which was undertaken and completed by the Centre for Energy. From the carbon baseline report, an action plan is in the process of being produced, to work towards reducing carbon emissions within the City Council through the services we deliver. The City Council's carbon baseline report will be reported to Strategic Scrutiny in September 2022 along with the associated Net Zero Action Plan.

8.2 A risk register has been developed (Appendix 1) to provide an initial high level assessment of the risks associated with reducing carbon emissions within the City Council. As a result of commissioning the City Council's Carbon Baseline report, and developing a City Council carbon reduction action plan, the attached risk register will be expanded so it covers all aspects of net zero within the City Council.

8.3 The updated risk register will be presented to Strategic Scrutiny in September and subsequently Executive and Council in November. This will provide a risk register associated with measures required to reduce carbon emissions within City Council services.

8.4 The development of the City Council's carbon baseline report and supporting action plan and risk register, will inform the work programme of the Net Zero team and subsequent team budget spend.

8.5 The updated net zero risk register will be developed using the National Audit Office Good Practice Guide – Climate Change Risk: A Good Practice Guide for Audit and Risk Assurance Committees.

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

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

Exeter Vision	Innovative & Analytical City	The team has developed a range of data sets to monitor City Council carbon emissions
	Healthy & Inclusive	Ensure City Council owned homes are energy efficient
	The Most active city in the UK	Projects are developed to support active travel for employees
	Accessible world class educations	N/A
	Liveable & connected	Commercial and residential properties are energy efficient and built to the best possible standard
	A leading sustainable city	The City Council is a role model for other organisations in Exeter
Corporate Plan	Delivering Net Zero Exeter 2030	Net Zero team focuses on reducing City Council carbon emissions to deliver Net Zero by 2030.
	Providing value for money services	Carbon reducing actions will be commercially viable and will reduce service delivery costs
	Building Great Neighbourhoods	Working with Building Greater Exeter, Liveable Exeter, Exeter City Living and other developers in developing sustainable and accessible neighbourhoods and new homes, using sustainable constructions methods
	Promoting active & healthy lifestyles	Working in partnership with Live & Move in developing sustainable travel options and low traffic neighbourhoods for staff active travel

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

10.1 The development of the City Council's carbon baseline report and supporting action plan and risk register will inform the work programme of the Net Zero team for the foreseeable future. These documents will be presented to Strategic Scrutiny on a regular basis for ongoing monitoring.

10.2 An early indication from the carbon baseline report is the need for better data to monitor progress. The Net Zero Data Support Officer is working with City Council services to gather new and additional data, so that we are able better to monitor progress.

10.3 The financial cost to deliver net zero within the City Council will be significant. At every opportunity, funding bids will be submitted to relevant bodies to assist in reducing our own carbon emissions.

11. Equality Act 2010 (The Act)

11.1 In developing the action plan, the Net Zero team will take into account the potential impact of actions in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership

status in coming to a decision. An EQIA will be undertaken for each action being developed.

11.2 An EQIA was undertaken in developing the new Net Zero & Business team in allocating resources, this is attached for information.

12. Carbon Footprint (Environmental) Implications:

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

13. Are there any other options?

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

Director Net Zero & City Management, David Bartram

Author: Service Lead Net Zero & Business

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

Background papers used in compiling this report:-

Executive, July 2022

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

City Council Net Zero Risk Register

Ref	Service	Risk Title and Description	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
					L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
1	Net Zero & Business	<p>Too ambitious target to reduce City Council carbon emission to 'net zero' by 2030</p> <p><u>Potential Causes:</u> - Ineffective data monitoring & methodology - Change in Corporate Priorities - Lack of understanding of carbon emergency and net zero ambition - Officers unwilling or with no capacity to engage or make changes to their service - Lack of technological advancement and financial barriers - growth in activity levels increasing scope 3 emissions - buying or building new buildings/property</p> <p><u>Potential Impacts:</u> - Not achieving Corporate Priority - Reputational risk and damage - Carbon emissions not decreasing - Services being under the spot light as high carbon emitters - reliance on offsetting - high spend to achieve aggressive carbon reduction methods - lack of funds to reduce carbon emissions</p>	13/06/2022	Net Zero Project Manager	4	4	16	<ul style="list-style-type: none"> Establishment of Net Zero Team Regular engagement with relevant Directors Regular updates and presentations provided to Strategic Scrutiny on Risk Register, Carbon Footprint and implementing of the City Council Carbon Reduction Action Plan Extend contracts of Net Zero Support Officer and Sustainability Project Officer to support work until 2030 Net Zero Ambassadors to meet on a regular basis to share best practice and to support service changes, and are involved with setting annual action plan and targets Carbon Literacy training to be shared with staff and members Budget is allocated to the Ambassadors to reduce carbon emissions and ownership on service level Be open and transparent with all Net Zero Ambassadors, Officers, Service Areas and Cllrs 	3	4	12	2030		
2	Net Zero & Business	<p>Unable to reduce City Council Scope 1 direct emissions from owned sources (fuel consumption and company vehicles)</p> <p><u>Potential Causes:</u> - ability to plan for net zero when uncertainty of new assets and disposal of by 2030 - Lack of financial resources to make changes within each service area - lack of full funding and / or match funding where business case is not viable - lack of asset condition data and investment audits - Funding packages do not fit with City Council corporate priorities or eligibility match - Lack of capacity in managing external funding bids and delivery of multiple projects - Covid impact and temperature effect (reduced heating due to warmer temperatures) show decline in emissions but mask lack of efficiency - Lack of investment in Leisure stock by previous operator - Lack of specialist vehicle replacement - electrical replacement availability</p> <p><u>Potential Impacts:</u> - Backlog of projects and initiatives developed - Some innovative projects not able to progress with low feasibility or asset uncertainty - Net Zero projects stalled, due to lack of external/internal funding - City Council unable to achieve net zero by 2030</p>	15/06/2022	Net Zero Project Manager	3	4	12	<ul style="list-style-type: none"> Investigate potential sources of funding on a regular basis and optimisation of PSDS Regular discussions with other local public organisations to evaluate joint funding bids Development of a comprehensive business case presented Regular discussions with Exeter City Futures in bidding for city wide funding Engagement with Procurement BMS upgrade and EMIS secured through PSDS funding to provide better data - a wide range of housing measures to reduce emissions from domestic housing stock is supported by better data and a range of effective measures around energy efficiency Water Lane Solar Farm to include EV charging infrastructure to support full electrification of fleet Electric RCV's purchased, electric vans and pool car in operation 	2	4	8	<ul style="list-style-type: none"> Regular review and monitoring of funding options Investment grade decarbonisation audits of every building needed to establish work needed and cost Regular discussions with DCC & LEP to secure funding to Exeter Seek external funding streams and internal invest to save opportunity Expert advice needed to provide more aggressive measures needed for heating and cooling decarbonisation in high use buildings greater asset management capacity to include energy efficiency in all property maintenance Investigate potential and availability of expansion of fleet electrification and equipment across all services 	2030	
3	Net Zero & Business	<p>Unable to reduce City Council Scope 2 indirect emissions from generation of purchased energy</p> <p><u>Potential Causes:</u> - Energy efficiency measures fail to drive down consumption as per Scope 1 (above) - Change in national policy which does not incentivise PV - national grid decarbonisation is slower than forecasted - carbon savings from self generation is reduced - new property purchased that has old energy systems - new build does not include energy efficient measures</p> <p><u>Potential Impacts:</u> - Potential reduction in national carbon saving from grid decarbonisation - carbon saving of solar PV is outweighed by energy security and financial savings - City Council unable to achieve net zero by 2030</p>	15/06/2022	Net Zero Project Manager	3	4	12	<ul style="list-style-type: none"> Significant Solar estate installed across the corporate estate, including Water Lane Solar farm and private wire to supply Exton Road Battery storage installed at Solar Farm and Livestock Centre and John Lewis Car Park to increase self supply LED lighting schemes installed Development of a comprehensive business case presented to support energy saving schemes Further solar PV opportunities identified 	2	3	6	<ul style="list-style-type: none"> As per Scope 1 further energy saving measure across all buildings required PPA potential and extensive generation, including wind and hydrogen to be investigated Engage local public sector bodies to ensure collaborative schemes are explored Keep finance / legal / audit involved with the delivery of the commercial activity as well as energy saving New funding sourced to deliver and implement energy efficient measures to our corporate property estate 	2030	
4	Net Zero & Business	<p>Unable to reduce City Council Scope 3 other indirect emissions (supply chain, assets, investment, waste disposal, employee commuting)</p> <p><u>Potential Causes:</u> - Insufficient data capture to provide meaningful incentive for reduction - Procurement Policy unable to support carbon reduction measures in our supply chain e.g contractors do not/unable to reduce emissions - High financial cost of using contractors with low associated GHG emissions (Procuring a 'green' alternative is prohibitively more expensive) - City Council purchase of new assets and increased carbon outputs - City Council build new residential and commercial property increases carbon outputs - Lower cost options when carrying out building maintenance repairs can increase carbon emissions and spend in the longer term - Supply chain do not implement changes to their business</p> <p><u>Potential Impacts:</u> - Scope 3 emissions increase on an annual basis - City Council unable to achieve net zero by 2030 - Reputational damage & risk</p>	13/06/2022	Net Zero Project Manager	4	4	16	<ul style="list-style-type: none"> Procurement Policy is amended to support a reduction in Scope 3 emissions Net Zero Ambassadors influence procurement decisions within their own service area - spend less Green Accord undergoing relaunch to support supply chain and use of contractors with commitments to mitigate climate change Regular internal and external communications to introduce better methodology to capture accurate meaningful data to incentivise reduction, "you can't manage what you don't measure" LEVI bid to support further EV charging infrastructure to include staff EV charging - new technology and agile working facilities for reduction in staff travel emissions 	3	4	12	<ul style="list-style-type: none"> Specific categories to be added to the new e Procurement system for meaningful data capture to provide meaningful procurement emissions to incentivise reduction seek requirement that all contracts over £50k should be required to state GHG emissions for that contract Planned regular discussions with procurement and service leads on spend and how to best tackle scope 3 emissions Regular 1-2-1's with Portfolio Holder for climate change set up mandatory evaluation for need for new buildings and include requirement to assess what the purchase would add to the Council's footprint assessment of building new versus use of existing assets and building efficiently sustainable building maintenance policy to review lifecycle emissions and overall cost benefit of low carbon alternatives green travel plan to support reduced staff transport related activities and lower emission alternatives and other modes of transport, including reduction of unnecessary journeys 	2030	

City Council Net Zero Risk Register

Ref	Service	Risk Title and Description	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
					L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
5	Net Zero & Business	<p>Afforestation - land use changes to offset carbon emissions</p> <p><u>Potential Causes:</u> - additional planting of tress causes land use changes - improves city biodiversity - increases future costs of maintaining tress -</p> <p><u>Potential Impacts:</u> - High expenditure in buying and planting new trees - masks the extent of City Council carbon emissions</p>	15/06/2022	Service Lead Net Zero & Business	3	3	9	<ul style="list-style-type: none"> • GHG emission savings vary depending on planting of different biomass • Native trees planted • Impact of Ash die back on existing tree canopy 	2	2	4	<ul style="list-style-type: none"> • Separate study required to establish benefits, cost and land use to produce effective valley parks and other public green space owned by ECC 	2030	Relationship with DWT is key to success
6		<p>{Risk Title}</p> <p><u>Potential Causes:</u> -</p> <p><u>Potential Impacts:</u> -</p>												

Equality Impact Assessment: Allocation of the one off Net Zero budget

The Equality Act 2010 includes a general duty which requires public authorities, in the exercise of their functions, to have due regard to the need to:

Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act.

Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it.

Foster good relations between people who share a relevant protected characteristic and those who do not

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.

Authorities which fail to carry out equality impact assessments risk making poor and unfair decisions which may discriminate against particular groups and worsen inequality.

Committee name and date:	Report Title	Decisions being recommended:	People with protected characteristics potentially impacted by the decisions to be made:
Executive 5 July 2022 COUNCIL 19 July 2022	Allocation of the one off Net Zero budget	To recommend to Council, the planned spend of the £1m earmarked reserve to support the delivery of Net Zero for the City Council and the Net Zero Exeter 2030 plan, covering the next 4 years Of the £1m temporary one off budget, £800,000 is allocated to delivering net zero for the City Council and £200,000 is allocated to the delivery of the Net Zero Exeter 2030 Plan. An additional £50,000 from the underspent supplementary budget in 2021/22 is required to support the delivery of the Net Zero Exeter	At present none, but this will be reviewed for each project in the future.

Factors to consider in the assessment: For each of the groups below, an assessment has been made on whether the proposed decision will have a **positive, negative or neutral impact**. This is must be noted in the table below alongside brief details of why this conclusion has been reached and notes of any mitigation proposed. Where the impact is negative, a **high, medium or low assessment** is given. The assessment rates the impact of the policy based on the current situation (i.e. disregarding any actions planned to be carried out in future).

High impact – a significant potential impact, risk of exposure, history of complaints, no mitigating measures in place etc.

Medium impact –some potential impact exists, some mitigating measures are in place, poor evidence

Low impact – almost no relevancy to the process, e.g. an area that is very much legislation led and where the Council has very little discretion

Protected characteristic/ area of interest	Positive or Negative Impact	High, Medium or Low Impact	Reason
Race and ethnicity (including Gypsies and Travellers; migrant workers; asylum seekers).	Negative	Medium	There could be the potential of land that gypsies and travellers use for temporarily means, not being available.
	Positive	High	There could be the potential for jobs for migrant workers within construction sector and others that support net zero and clean growth
Disability as defined by the Equality Act – a person has a disability if they have a physical or mental impairment that has a substantial and long-term adverse impact on their ability to carry out normal day-to-day activities.	Positive	High	The building of new sustainable and active travel routes, would support positive mental health and wellbeing and increase accessibility for those less able
	Positive	High	Buildings built to passivhaus standard, would support mental health & wellbeing for individuals.
	Negative	High	If city car parks are used for alternative means, those less able may not be able to access city centre parking and use a car park not at their desired location, or to using park & ride.
Sex/Gender	Neutral	Low	N/A
Gender reassignment	Neutral	Low	N/A

Religion and belief (includes no belief, some philosophical beliefs such as Buddhism and sects within religions).	Negative	Low	Some religions may potentially be against retrofitting buildings to be Net Zero or Carbon Neutral
Sexual orientation (including heterosexual, lesbian, gay, bisexual).	Neutral	Low	N/A
Age (children and young people aged 0-24; adults aged 25-50; younger older people aged 51-75/80; older people 81+; frail older people; people living with age related conditions. The age categories are for illustration only as overriding consideration should be given to needs).	Positive	High	Delivering Net Zero across the city is likely to be embraced by younger people who live, study, work and socialise in Exeter.
	Negative	Medium	Some age categories may not engage with the aims and aspirations of Net Zero, and projects to deliver net zero.
Pregnancy and maternity including new and breast feeding mothers	Positive	Medium	As a result of net zero there will be a healthier environment for expectant mothers, as well as the ability to walk/exercise in a safe environment.
Marriage and civil partnership status	Neutral	Low	N/A
<p><u>Actions identified that will mitigate any negative impacts and/or promote inclusion</u></p> <ul style="list-style-type: none"> • For each project the Net Zero team develops, an EQIA will be undertaken to ensure no project discriminates against any characteristic. • The Net Zero team will consult with the Policy team on each project. 			

Officer: Victoria Hatfield

Date: 5 June 2022

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