

## **AUDIT AND GOVERNANCE COMMITTEE**

Thursday 24 July 2025

### **Present:-**

Councillor Wardle (Chair)

Councillors Moore, Atkinson, Banyard, Begley, Holland, Knott, Miller-Boam, Mitchell, M, Payne, Snow and Williams, M

### **Also Present**

Chief Executive, Strategic Director for Corporate Resources, Head of Legal and Democratic Services & Monitoring Officer, Service Lead – Commercial & Procurement, Head of Service - City Development, SWAP Internal Audit Services and Democratic Services Officer

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### **MINUTES**

The minutes of the meeting held 19 March 2025 were taken as read, approved and signed by the Chair as correct.

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### **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

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### **ANNUAL AUDIT PLAN**

The Manager, Grant Thornton, the Council's external auditor, introduced the new engagement lead/key audit who presented the report making the following points:

- the approach and timelines were similar to previous years;
- page 21 highlighted the impact of the backstop however, Exeter was not impacted and a clean audit opinion had been issued which was a good position;
- page 26-30 highlighted the key risks;
- other risks could be found on page 30;
- there were no group risks shown as this was no longer a requirement;
- Value for money(VFM) related to findings in the previous year; and
- Audit logistics showed the opinion prior to back stop date.

The Manager and Engagement Lead, Grant Thornton, responded to Members questions in the following terms:

- local government reorganisation would be factored into any comments made;
- the opinion was given in February which did not allow sufficient time for response to recommendations however this would hopefully be addressed in the Audit Findings report at the end of the year;
- pensions defined risk differently to the Council and was based on assumptions which meant that a small change would move the risk past materiality;
- VFM was not more than other public sector organisations but bears further scrutiny to ensure the finance team made appropriate assumptions;
- at present there was a risk of significant weakness rather than actual;
- there had been a change in accounting standards during the year;
- there was a risk that failure to identify all relevant leases and assets could lead to an issue of materiality;
- materiality had gone up as a result of regulator feedback which reflected the

- risk profile of the council;
- heritage assets would be taken into consideration but it would depend upon the value of those assets; and
- this year assurance would be sought as to those value of heritage assets and how those were disclosed.

The Audit and Governance committee noted the report following a unanimous vote.

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### **ANNUAL GOVERNANCE STATEMENT**

The Strategic Director for Corporate Resources presented the report making the following points:

- this report related to 2024/25, was statutory, and accompanies the statement of accounts, based on the code of corporate governance;
- the difference was that it reflected significant weaknesses as identified by internal auditor; and
- one key issue was debt management after officers had requested an advisory review.

The Chief Executive and Strategic Director for Corporate Resources responded to Members questions in the following terms:

- the role of scrutiny would be updated in the report for the next year;
- Ombudsman complaints were reported to the Audit and Governance Committee;
- the corporate risk register was reviewed regularly by the Strategic Management Board(SMB) who discussed issues with Heads of Service;
- SMB held strategic responsibility for ensuring the correct resources were allocated to risks but Heads of Service held operational responsibility for addressing risks and feeding back to Directors;
- this was a summary not every item which SMB and OMB were responsible for; and
- OMB mitigated strategic and operational risks.

**RESOLVED** following a unanimous vote that the Audit and Governance Committee supports the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2024/25; and

**RECOMMENDED** that Council notes and approves the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2024/25.

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### **ANNUAL INTERNAL AUDIT REPORT**

The Assistant Director, SWAP presented the report making the following points:

- this was the opinion for 2024/25;
- the summary was contained on the first page of report with further detail on pages 45 and 46;
- the outcomes to support opinion showed actions almost fully delivered.
- assurance work underpinning the opinion could be found on page 42 with 14 assurance audits;
- there was a high organisational risk related to debt management;
- there were lots of positives which demonstrated that the council value the challenge of internal audit and senior management were open and directed

audit to risk areas;

- there were 6 follow-up audits and all actions were adequately addressed with commitment to improvement shown;
- the limited assurance report being brought to the committee provided assurance;
- there was a breadth of coverage across key services and in relation to strategic risks which was summarised on page 89, with more info on debt management included and previously presented to this committee and this audit had been requested as an advisory by senior management;
- action plan monitoring, action plan work and follow up could be seen;
- SWAP were working with management to introduce a tracking system;
- there were 98 actions related to 2024/25;
- SWAP performance could be seen in the results of satisfaction surveys with all responses all showing that they met or exceeded expectations;
- the Standards shown were required and showed the latest published assessment from December 2024 and generally conformed which was the highest grade.

The Director, SWAP responded to Members questions in the following terms:

- there were many services which could potentially be audited;
- a risk-based approach was taken and those services with the highest risks were the focus;
- Section 106 and one CIL were audited as high risk;
- a planning audit was on this year's plan focussing on biodiversity net gain; and
- the list of areas to be audited was created by joint agreement with the Strategic Management Board following SWAP providing as a starting point for discussion.

Following a unanimous vote the Audit and Governance Committee noted the report.

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### **INTERNAL AUDIT PROGRESS REPORT**

The Assistant Director, SWAP presented the report making the following points:

- the purpose was to highlight significant outcomes from audit work and show work on the agreed plan or any changes made to the plan;
- the summary on the first page was in a standard format and similar to the previous item'
- 6 audits were finalised and 5 awarded limited assurance;
- Limited assurances could be found at appendix B and would be covered in the next agenda item;
- there was a follow up audit on taxi licensing and key improvements were summarised – a procedure manual had been created and training provided – evidence of what was needed for a taxi license application, including safeguarding, right to work and driving license evidence. This had been implemented in full;
- action plan monitoring showed 98 active actions with the majority not yet due;
- 18 actions had been assessed as being complete by the service and audit would gain evidence before closing; and
- 6 actions were overdue but it was acknowledged that some can take longer to implement than planned and sometimes timescales needed to be extended.

The Director, SWAP and Chief Executive responded to Members questions in the following terms:

- appendix 1 would be shared as this was missing from the report;
- the report had been agreed in full and behind it sat a detailed actions plan which had been agreed by management and would be seen in the next agenda item and would sit on SWAP monitoring system and be updated and reported back to this committee;
- there had not previously been a process for monitoring which had required to be strengthened;
- she would endeavour to provide detail of the 6 overdue actions and their reasons;
- there were 98 actions with only 6 overdue and SWAP would provide information and SMB would identify reasons for this; and
- 6 was a small proportion to be overdue.

Following a unanimous vote the Audit and Governance Committee noted the report.

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### **LIMITED ASSURANCE REPORT**

The Strategic Director for Corporate Resources presented the report making the following points:

- the report showed detail of the action plans behind the summary provided by SWAP;
- appendices held each action plan in respect of the 5 limited assurance audits with most of the audits having been requested by management;
- procurement was subject to annual audit; and
- SWAP intended to look at the Procurement Act 2023 and management had asked them to do a more in-depth audit of procurement practices to potentially identify any further breaches. Management had worked with SWAP to implement changes and this had been an important piece of work which did identify further work to be done. As a result, a significant training programme would be rolled out beginning with Heads of Service with many sessions already full in September.

The Chief Executive, Strategic Director for Corporate Resources, Head of Service – City Development and Procurement Lead responded to Members questions in the following terms:

- CIL was part of the City Development remit and was under review. It was hoped that proposals would be made to SMB in August to address the issue of governance and there was a willingness to involve stakeholders. A method of review would form part of the CIL terms of reference going forward;
- a number of schemes had been identified which were at risk of losing money and legal advice was being sought;
- a review panel would be proposed as part of the governance review;
- there was a complication around the length of the neighbourhood plan with regard to St James Trust and legal advice would be taken;
- there were no Member committees for other financial decisions which must be taken into account when looking at CIL and section 106 but this proposal had not yet been seen by SMB;
- a full answer would be sought with regard to whether the contractor would be provided with training regarding new procedures, whether there would be any impact on value for money and why the echelon report had not been implemented as yet;
- a progress report could be brought to committee on how the housing actions

- were being implemented;
- work was being done to replace the extralet properties which was intended to deliver benefits which would bring the budget back into balance;
- procurement was being linked to strategy;
- there was no direct link but contract and procedure rules had been adopted and updated in line with the Act; and
- waivers under £100,000 were not required to come to procurement rather they would be signed off by Heads of Service, however, this was under review and there may need to be corporate variations but this would remain under review until the training was complete.

Following a unanimous vote the Audit and Governance Committee note the report.

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

The Strategic Director for Corporate Resources presented the report making the following points:

- this was a final review in the current guise as Council had adopted the new corporate plan two days ago;
- as this review was based on the previous plan SMB and the Executive would undertake a full review to align with the new corporate plan;
- implementation of the table showing where each of the risks lies now included the direction of travel for each risk as requested by Members; and
- following training with Zurich Municipal the finance risk increased as there was a significant reduction to find and this was the beginning of this process but the risk would be expected to move down throughout the year.

The Strategic Director for Corporate Resources responded to Members questions in the following terms:

- this was the latest assessment based on a full year Medium Term Financial Plan (MTFP) taking into account the business rate reset at the time of drafting the report;
- there were three categories of property being housing, commercial and operational and the council had a legal responsibility to have best consideration for assets therefore they were marketed and advertised and publicised that they were on the market and the council could work with any community group who came forward and put them in touch with the managing agent;
- he would work with the head of commercial assets on whether a sale could be delayed in the event of a community group requiring longer than a commercial operator;
- regarding an asset management plan and strategy, a piece of work had been commissioned and an initial draft was with officers which once finalised would be reviewed by SMB before Council; and
- the council remained committed to net zero 2030.

Following a vote the recommendations as set out in the report were CARRIED.

Resolved that the Audit and Governance Committee had considered the council's Corporate Risk Register (Appendix A) and recommended its approval to Executive.

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### **QUARTERLY WAIVERS REPORT**

The Service Lead – Commercial and Procurement presented the report making the following points:

- the external auditor had recommended that this report be brought to committee and this was the first;
- the report showed waivers and breaches which had previously been reported in the bulletin;
- a waiver request set out the rationale for a direct award to a supplier and why it may not be in the Council's best interests to run a competitive procurement process as required within the Council's Procurement and Contract Procedures;
- any waiver granted over the UK procurement threshold approves only the anticipated non-compliance with the Council's Procedures. It did not mitigate the risks associated with non-compliance with the UK Procurement Law and Regulation;
- a breach occurred where either the Council's Procurement and Contract Procedures or UK procurement legislation has not been adhered to; and
- the last two quarters were reported.

The Strategic Director for Corporate Resources and Service Lead – Commercial and Procurement responded to Members questions in the following terms:

- the report did not relate to people overspending but rather to procedures and rules and had been moved from the bulletin to committee;
- Breaches did not mean that there had been overspend but rather that rules or procedure had not been followed;
- there was no direct correlation between breaches and budgetary control or overspend;
- each accountant met regularly with Heads of Service and their Director at which time any issues would be highlighted;
- under or overspend of a budget could happen for a number of reasons, some of which were understandable and others not but SMB reviewed this before it was brought to Council and highlighted areas of more concern than others;
- it was important to highlight areas of concern as there would be variation throughout the year; and
- it was a fair assessment to say that some waivers existed to facilitate effective service provision and this was not a bad thing as there was a need for expediency which was normal for local authorities.

The Audit and Governance Committee noted the Quarterly Waivers Report.

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

Chair