

AUDIT AND GOVERNANCE COMMITTEE

Date: Thursday 24 July 2025
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 Liz Smith, Democratic Services Officer on 01392 265425.

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

Membership –

Councillors Wardle (Chair), Moore (Deputy Chair), Atkinson, Banyard, Begley, Holland, Knott, Miller-Boam, Mitchell, M, Payne, Snow and Williams, M

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 19 March 2025.

(Pages 5 -
12)

3 Declaration of Interests

Councillors are reminded of the need to declare any disclosable 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 Act 1972 - Exclusion of Press and Public

It is considered that the Committee would be unlikely to exclude the press and public during consideration of any of the items on the agenda, but if it should wish to do so, the following resolution should be passed:-

RECOMMENDED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the consideration of the particular item(s) on the grounds that it (they) involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs of Part 1, Schedule 12A of the Act

Or

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of items XX and XX on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 and 4 of Part I, Schedule 12A of the Act.

5 Annual Audit Plan

To consider the report of the External Auditor, Grant Thornton.

(Pages 13
- 60)

6 Annual Governance Statement

To receive the report of the Strategic Director for Corporate Resources.

(Pages 61
- 78)

7 Annual Internal Audit Report

To receive the report of the Assistant Director, SWAP.

(Pages 79
- 96)

8 Internal Audit Progress Report

To consider the report of the Assistant Director SWAP.

(Pages 97
- 118)

9 Limited Assurance Report

To consider the report of the Strategic Director for Corporate Resources.

(Pages
119 - 150)

10 Review of Corporate Governance Risk Register

To consider the report of the Strategic Director for Corporate Resources.

(Pages
151 - 170)

11 Quarterly Waivers Report

To receive the report of the Strategic Director for Corporate Resources.

(Pages
171 - 180)

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Thursday 4 September 2025 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. Alternatively, contact the Democratic Services Officer (Committees) on 01392 265425 for further information.

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AUDIT AND GOVERNANCE COMMITTEE

Wednesday 19 March 2025

Present:

Councillor Tony Wardle (Chair)
Councillors Atkinson, Begley, Ketchin, Mitchell, M, Moore and Williams, M

Also Present:

Chief Executive, Strategic Director for Corporate Resources, Strategic Director for Place, Head of Legal and Democratic Services & Monitoring Officer, Net Zero Project Manager and Democratic Services Officer (LS)

48

APOLOGIES

Apologies were received from Councillors Knott, Jobson, Miller-Boam, Palmer and Patrick.

49

MINUTES

The minutes of the meeting held 12 February 2025 were taken as read, approved and signed by the Chair as correct.

50

DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interest were made.

51

INTERNAL AUDIT PLAN 2025/26

The Assistant Director, SWAP, presented the Internal Audit Plan 2025/26 report making the following points:

- the Plan included the annual opinion and the process followed;
- Plan and strategic risk register key;
- key financial control areas included procurement and risk management of which more detail could be found on page 16;
- the draft plan had been seen by Members and views sought of the Chair also obtained before meeting with SMB, which had been key in agreeing a programme of work;
- Member training can be provided by SWAP;
- regarding conformance an external assessment of SWAP had taken place in November 2024 and they were found to be compliant;
- Global internal audit standards had been updated and a plan was being put in place to comply; and
- Internal Audit Charter and Mandate had been updated to reflect global Internal audit standards and was presented at Appendix B.

The Assistant Director, SWAP responded to questions from a Member in the following terms:

- The new Global standards presented no fundamental changes to the role of the Audit and Governance Committee and any subtle differences were being worked on; and

- Processing of Housing Benefit had been added to the draft plan but with a high number of services which could be audited there was a need to focus on areas which had not been audited in recent time.

The Chair moved, seconded by Councillor Atkinson that the Audit and Governance Committee reviewed and approved the Internal Audit Plan 2025/26 and Internal Audit Charter and Mandate, and following a unanimous vote was CARRIED.

52

INTERNAL AUDIT PROGRESS REPORT

The Assistant Director, SWAP presented the Internal Audit Progress Report making the following points:

- the summary on page 36 showed that 92% of planned audits were complete or in progress. 2 were yet to start at the time of writing the report and have now begun;
- SWAP were confident that in July their opinion would be based on a completed plan of work;
- there was high operational risk with debt management;
- action plan monitoring was now live and being used by services and more detail was now being presented;
- there were 63 active agreed actions;
- P39 showed a table of fraud referrals in addition to the progress report;
- there was a confidential reporting line operated by SWAP and the referrals received over 7 months to the beginning of February this year and half were with regard to council tax and all were forwarded to the appropriate contact in the Council;
- Appendix B showed limited assurances, of which there were 3 which would be considered at the next agenda item;
- Appendix C showed Advisory Reviews with debt management being given an advisory report which was rated as high risk with senior management and the audit committee having been informed and a summary report was included. The Council had asked SWAP to carry out this work. Supporting documentation explaining how to carry out debt management which was and out of date and some incomplete. The next report would include context and an action plan; and
- Appendix D showed an action plan monitoring summary with 63 active actions. 14 were complete with evidence having been provided before they were closed. 22 had already been closed which related to previous limited assurances.

The Assistant Director, SWAP responded to a question from a Member stating that evidence would always be sought and this may not always be by way of a document it could be that SWAP access a system and carry out some testing and may request formal follow up in order to close an item.

The Chair moved, seconded by Councillor Begley that the Audit and Governance Committee noted the Internal Audit Progress Report and following a unanimous vote was CARRIED.

53

RESPONSE TO LIMITED ASSURANCE AUDIT REPORT

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

- there was commitment to improving governance across the council;
- 4 action plans had been created for the areas reviewed by SWAP this year,
- 2 areas had been put forward by officers following their concerns and requested SWAP review these;
- the occupational health review had been commissioned by the Strategic Director People and Communities and a range of recommendations were made by SWAP and subsequently included in the HR improvement plan and would look to be delivered as soon as possible;
- in the area of CIL/s106 significant work had begun to address issues with an officer panel looking at governance across the area, including existing commitments;
- Council tax arrears had seen simple improvements made despite a shared service not having been implemented and a restructure was expected within the next couple of months;
- some findings were frustrating with regard to write-offs having been applied before authorisation and this practice had been stopped;
- Sundry debtors had seen increasing debt which was not necessarily unusual in post-COVID times but this work had been moved from the Revenue and Benefits team back into the Finance team and resources increased from 0.8FTE previously to a team of 4. Resources within legal had been reinstated to support recovery, having been lost some years ago in a previous savings exercise. A Collection Manager and 2 Collection Officer posts had been filled and would be starting imminently and were aware of their work plan.

The Strategic Directors for Corporate Governance and Place responded to questions from Members in the following terms:

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54

REVIEW OF CORPORATE RISK REGISTER

The Strategic Director for Corporate Resources presented the Review of the Corporate Risk Register Report making the following points:

- this was a quarterly update;
- there were no significant changes this quarter;
- the final stages of the process of refreshing and producing the new Corporate Plan after which a review of the risk register would be undertaken; and
- the finance risk had been updated due to a balanced budget being agreed for 2025/26.

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

- the increase in parking charges agreed for 2024/25 had not been implemented which impacted the 2024/25 budget rather than 2025/26;
- the new Parking Places Order for 2025/26 would come before Council and any shortfall in the financial year should be addressed;
- indication could be provided in future as to which risks have changed since last reporting and whether they had increased or decreased;
- the net zero risk rating hadn't changed but the updated showed the efforts which had been made with partners to address net zero 2030 targets but challenges remained which included government announcements and with limited resources there was a reliance on government funding;
- a review was in progress of the net zero 2030 plan and the Council's stated aim remained;

- risk appetite rating was determined by Strategic Directors with Portfolio Holders;
- the new Corporate Plan would be the first step towards monitoring progress before development of a full matrix began;

The Chair moved the recommendations, which were seconded by Councillor Atkinson, voted upon, and CARRIED unanimously.

Having considered the Council's Corporate Risk Register the Audit and Governance Committee **RECOMMEND** its approval to the Executive.

55 **LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW OF COMPLAINTS**

The Monitoring Officer presented the report making the following points:

- the report covered 2023/24;
- compensation of £200 had been made in respect of one complaint; and
- section 8.3 of the report gave details of the complaints received and it could be seen that 7 cases had been considered.

The Monitoring Officer and Chief Executive responded to questions from Members in the following terms:

- ensuring adequate training for staff would be discussed with the relevant officer;
- there was no requirement for the reporting of issues relating to Members' Code of Conduct;
- there was an internal appeals process before complaints came before the Ombudsman;
- the service would be aware of complaints and have taken on board any learning before this report; and
- agreed actions were contained within the report.

The Chair moved, seconded by Councillor Atkinson that the Audit and Governance Committee noted the Local Government Ombudsman Annual Review of Complaints and following a unanimous vote was CARRIED.

56 **CODE OF CORPORATE GOVERNANCE 2025/26**

The Strategic Director for Corporate Resources presented the Code of Corporate Governance 2025/26 report making the following points:

- the report underpinned the statutory Annual Governance Statement at end of each financial year and accompanied the Statement of Accounts; and
- last year the Code of Corporate Governance had changed to better reflect ?? and this year had been updated given the SMB restructure and SWAP having taken over internal audit.

The Strategic Director for Corporate resources responded to a question from a Member regarding the role of scrutiny by agreeing to make a change to reflect the practice of post rather than pre-scrutiny.

The Chair moved that the recommendations, seconded by Councillor Mitchell and following a unanimous vote were CARRIED.

RESOLVED that the Audit and Governance Committee supports the Code of Corporate Governance for 2025/26, and **RECOMMENDS** that Council approves the Code of Corporate Governance for 2025/26.

57

REGULATION OF INVESTIGATORY POWERS ACT 2000 UPDATE

The Monitoring Officer presented the report making the following points:

- this had previously reported to Members by Internal audit now sits with the Monitoring Officer along with policy;
 - it was of note that this power had not been exercised;
 - the updated policy was attached;
 - this was important legislation;
 - the detail of the report set out the powers including covert powers; and
 - those making requests to utilise these powers must appear before magistrates; and
- local authorities were not keen on using these powers as Article 8 was of paramount importance.

The Monitoring Officer responded to questions from Members in the following terms:

- technically a renewal could be applied for and this would go through both internal and court processes;
- it would be unlikely for an officer dealing with a matter to grant repeat authorisation and this would still need to go before a magistrate as well; and
- whether this would apply to Councillors would need to be looked into.

The Chair moved the recommendations, seconded by Councillor Begley and following a unanimous vote were CARRIED.

RESOLVED that the Audit and Governance Committee consider this report and in particular note that the powers of surveillance under the Regulation of Investigatory Powers Act 2000 have not been exercised for the period 1 April 2023 to 31 March 2024; and

RECOMMEND to Council that the attached updated Council policy, the 'Regulation of Investigatory Powers Act 2000 Joint Policy and Procedure' is noted and approved.

58

CORPORATE NET ZERO RISK REGISTER

The Net Zero Project Manager presented the report making the following points:

- this was a six-monthly review and an assessment of the risk of carbon emissions;
- developed in July 2022 and reviewed six-monthly and included 2030 targets;
- risks remained high and funding, capacity and skills were all issues;
- this report links to the carbon reduction plan and the net zero team worked with other services and target grants where appropriate; and
- the recommendation was as set out in the report.

The Net Zero Project Manager, Chief Executive and Strategic Director for Place responded to questions from Members in the following terms:

- funding potentially ending was a risk but the role of the team was to bring together work across all services and there were a number of initiatives

being delivered to help achieve targets and these would continue with or without the team;

- in the last year SMB have seen this report and coordinated at that level meaning work to achieve targets was infused through all council services;
- reports showing no carbon implications would be addressed by SMB and the relevant Portfolio Holder;
- a review of the Green Travel Plan was underway and the policy was outdated;
- offsetting was a last resort and policy in relation to this would come forward with the costed Carbon Descent report; and
- Parks and Green Spaces were working on a Biodiversity Strategy.

The Chair moved the recommendations, seconded by Councillor Atkinson and following a unanimous vote were CARRIED.

RECOMMENDED to Council that the updated Net Zero Risk Register is approved; and

2.2 It is acknowledged that further work is underway to reduce risk, and the Council's Costed Organisational Carbon Footprint projections to be reported to Executive in June, will be fed into a service led Carbon Reduction Plan to progress with carbon reduction measures.

59

GOVERNANCE SOUNDING BOARD

The Chair put forward the recommendation to form a Governance Sounding Board as a working group of this committee with the following remit and composition:

- to provide feedback to officers and Portfolio Holder on proposals to amend the constitution in advance of full proposals being brought before this Audit & Governance Committee;
- the feedback will be noted and included in the report to this Audit & Governance Committee; and
- to comprise, the Chair of this Committee, one member of each other political party represented on this Audit & Governance Committee along with the Portfolio Holder who will be invited to attend.

The Chair invited the Monitoring Officer to give context to the item which he did in the following terms:

- the process would be that proposals from the Sounding Board would be put before this committee and then Council;
- a working group would give members of this committee the opportunity to provide input before the revised constitution formally came before Audit and Governance Committee; and
- the working group would look at work done so far by officers which had been on the areas of Planning and Council procedure.

The Monitoring Officer responded to questions from Members in the following terms:

- this would be a forward-looking piece of work;
- officers had looked at best practice;
- proposals would be open to discussion;
- the aim would be to have a constitution which was not political but would make processes efficient;
- it was not anticipated to be controversial and feedback would be noted and included in the ensuing report; and

- points where agreement was not reached would be addressed at Audit and Governance Committee.

The Chair moved the recommendation to for a Governance Sounding Board, which Councillor Atkinson seconded and following a unanimous vote was CARRIED.

The Monitoring Officer explained the proposed representation of the Governance Sounding Board as detailed below:

Political Party	Nominated Member
Conservative	Cllr Jobson
Green	Cllr Ketchin
Liberal Democrat	Cllr Palmer
Labour	Cllr Wardle (Chair)

It was proposed that the Portfolio Holder would be invited to attend the Sounding Board.

The Chair moved the recommendation that the Audit and Governance Committee agreed to the representation on the Governance Sounding Board, which was seconded by Councillor Mitchell and following a unanimous vote was CARRIED.

(The meeting commenced at 5.32 pm and closed at 7.27 pm)

Chair

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The Audit Plan for Exeter City Council

Page 13

Year ending 31 March 2025

15 July 2025

Agenda Item 5



Contents

Section	Page
Key developments impacting our audit approach	3
Introduction and headlines	11
Identified risks	14
Our approach to materiality	21
Progress against prior year recommendations	24
IT audit strategy	26
Value for money arrangements	28
Logistics	32
Fees and related matters	36
Independence considerations	38
Communication of audit matters with those charged with governance	41
Delivering audit quality	43
Appendices	45

01 Key developments impacting our audit approach

Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500,000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- a widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- an invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation; and
- re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to two-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We are expecting an interim plan by 21 March 2025 and a full proposal by 28 November 2025.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- setting the Code of Audit Practice;
- oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies; and
- reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This includes the Council who are among a minority of authorities who continue to have all accounts audited and signed off ahead of the backstop date. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

Local government faces many challenges, the pandemic along with the cost-of-living crisis has left local authorities with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding : Local authorities face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG); and
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset.

Systems and processes

We believe that most LG bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures;
- application of judgment and estimation;
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes;
- systems to capture the process and maintain new lease data and for ongoing maintenance;
- accounting for what were operating leases; and
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate.

Planning enquiries

As part of our planning risk assessment procedures we make enquiries of management to understand and document the processes around the implementation of the new standard including performing a walkthrough. We would appreciate a prompt response to these enquiries in due course.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Strategic Director of Corporate Resources & S151 Officer.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
- We would like to offer a formal meeting with the Chief Executive twice a year, and with the Strategic Director of Corporate Resources & S151 Officer quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit & Governance Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit & Governance Committee with sector updates providing our insight on issues from a range of sources via our Audit & Governance Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.



The Backstop

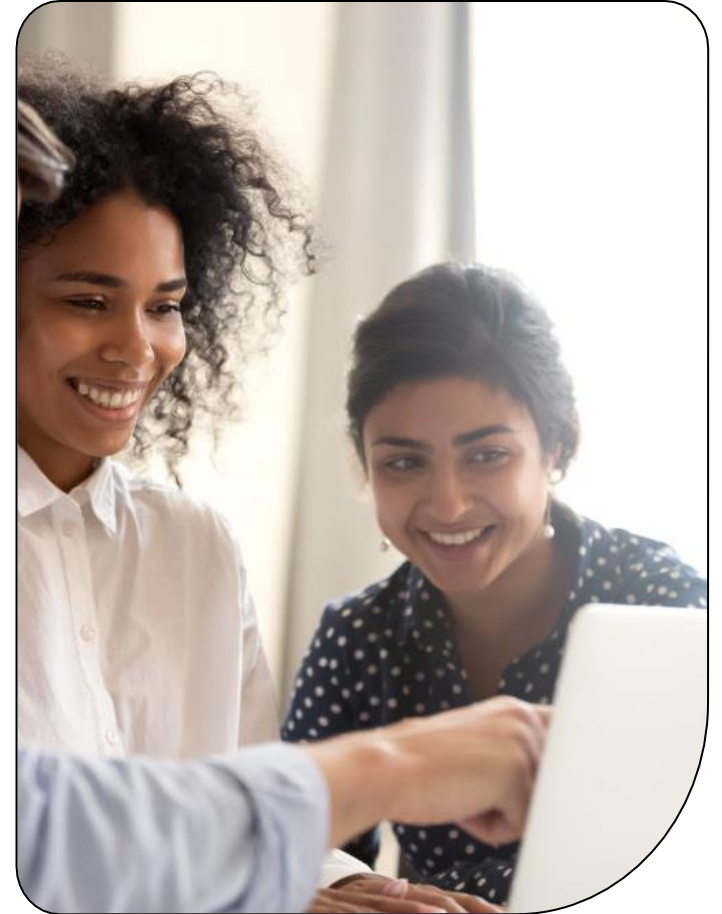
Local Government National Context – The Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- for years ended 31 March 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 27 February 2026.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We issued unmodified audit opinions on the 2022/23 and 2023/24 Exeter City Council financial statements in advance of the backstop dates.



02 Introduction and Headlines

Page 22

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 the 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 these documents.

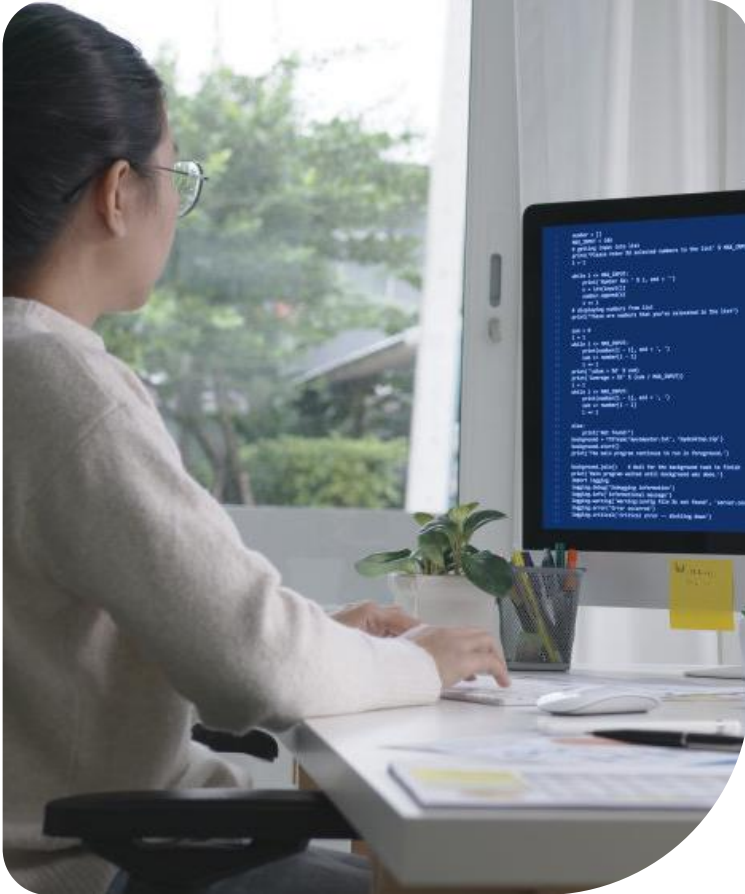
Scope of our Audit

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's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & Governance Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit & 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.

Introduction and headlines (continued)



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 control;
- Valuation of land and buildings (including Council Dwellings);
- Valuation of investment property; and
- Valuation of the pension fund net 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 £2.830m (PY £2.200m) for the Council, which equates to 2.5% of your prior year gross operating costs for the year. Materiality benchmarks have increased for 2024-25 following discussion with the Financial reporting council and the maximum for Exeter is 2.5% up from 2% in 2023-24. 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 £141,500 (PY £110,000).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- We have identified risks of significant weakness with regard to the Council's governance arrangements. We raised two key recommendations to address significant weaknesses in arrangements identified in 2023/24 relating to the Council's alternative delivery models and the Council's procurement procedures. There is a risk that the Council has not fully addressed these weaknesses. We also identified a significant weakness in our 2023/24 Auditors Annual Report that relates 2024/25 fraud management arrangements.
- We have identified a risks of significant weakness with regards to how the Council's secures economy, efficiency and effectiveness. We raised two key recommendations to address significant weaknesses in arrangements identified in 2023/24 relating to the Council's performance monitoring and with regards to the Council's procurement and contract management arrangements. There is a risk that the Council has not fully addressed these weaknesses.

Audit logistics

Our interim visit took place in March and we expect that our final visit will take place between September and December. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £190,985 (PY: £177,457), subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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

03 Identified risks

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.



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: <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; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings (including Council Dwellings – rolling revaluation) The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.	<p>The Council revalues 20% of assets per annum and the top four highest value assets each year. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>The Council's portfolio of Council Dwellings is revalued five-yearly, with an indexation exercise applied in intervening years in accordance with the "Beacon" methodology.</p> <p>Management will need to ensure the carrying value in the Council 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 (including Council Dwellings) as a significant risk.</p>	We will: <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 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, the Council's valuer's report and the assumptions that underpin the valuation; • reconcile the data provided to the valuer to year end asset register and Council Dwelling listings; • confirm the valuation method for sub-archetype Council Dwellings is appropriate; • test revaluations made during the year to see if they had been input correctly into the Council's asset register; and • 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.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Valuation of investment properties The Council revalue its investment property on an annual basis as required by the CIPFA Code. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£71.5m at 31/03/24) and the sensitivity of this estimate to changes in key assumptions.	Management have engaged the services of an external valuer to estimate the fair value as at 31 March 2025. We therefore identified valuation of investment property as a significant risk of material misstatement.	We will: <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; and • 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 The Council's pension fund net liability, as reflected in the balance sheet as the pension scheme liability, represents a significant estimate in the financial statements.	The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£17m at 31/03/24) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.	We will: <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • 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.

Significant risks identified (continued)

Significant risk	Audit team’s assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</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; and• The culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable.	<p>We do not, therefore, consider this to be a significant risk for Exeter City Council.</p>
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p>	<p>We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p>	<p>We do not, therefore, consider this to be a significant risk for Exeter City Council.</p>

Other risks identified

Page 30

Risk Identified	Risk relates to	Audit team’s assessment	Planned audit procedures
Completeness of IFRS 16 implementation	<p>In line with the Code of Audit Practice for Local Authority Accounting in the UK, Exeter City Council is required to adopt IFRS 16 Leases.</p> <p>Under IFRS 16, a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in the significant changes to the accounting for leases assets and the associated disclosures in the financial statements in the year ended 31 March 2025.</p> <p>Further detail on the implications of this Accounting Standard is set out on page 7.</p>	Given 2024/25 will be the first year the Council will account for leases in line with IFRS 16 and the level of estimation, there is an inherent risk that the implementation of IFRS 16 could be materially misstated. This risk is focussed on the completeness of disclosures made by the Council.	<ul style="list-style-type: none">• evaluate the reasonableness and appropriateness of the inputs and assumptions used, especially the discount rate applied in determining the lease liability.• agree on a sample basis, the accuracy of the data used by tracing them to the original contracts,• check the mathematical accuracy of the calculations undertaken by management to determine the amounts to be recognised in the Statement of Financial Position.• assess the completeness of disclosures within the financial statements in accordance with the applicable standards.

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 and any other information published alongside your financial statements 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 financial statements, consider and decide upon any objections received in relation to the 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; and/or
 - 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.

04 Our approach to materiality

Page 32

Our approach to materiality

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

Matter	Description	Planned audit procedures
01	Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.	We determine planning materiality in order to: <ul style="list-style-type: none">• establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;• assist in establishing the scope of our audit engagement and audit tests;• determine sample sizes; and• assist in evaluating the effect of known and likely misstatements in the financial statements.
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature when it relates to instances where greater precision is required.
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process.	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
04	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.	We report to the Audit & Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £141,500 (PY £110,000). 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 & Governance Committee to assist it in fulfilling its governance responsibilities.

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality

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

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,830,000	This is the equivalent to approximately 2.5% of the prior year gross expenditure of the Council. We have increased this from 2% in 2023/24 audit. Materiality benchmarks have increased for 2024-25 following discussion with the Financial reporting council and the maximum for Exeter is 2.5% up from 2% in 2023-24
Performance Materiality	2,112,500	We have determined performance materiality at 75% of the materiality. Our rationale is as follows: <ul style="list-style-type: none">• senior management and key reporting personnel in the finance function have remained stable from the prior year audit; and• there were a low number of misstatements and recommendations arising as a result of the financial statements audits in the prior years so we consider that 75% remains appropriate.
Trivial Matters	141,500	Set at 5% of materiality.
Specific balances – Senior Officer remuneration (per officer)	10,000	We considered materiality from the perspective of the users of the financial statements. As these are sensitive disclosures of high public interest we have considered that a lower materiality is required to ensure the accuracy of the disclosures.



05 Progress against prior year audit recommendations

Progress against prior year audit recommendations

We identified the various issues in our 2023/24 audit of the Council's financial statements, which resulted in recommendations being reported in our 2023/24 Audit Findings Report. Recommendation from 2023/24 audit were issued in February 2025 Audit and Governance Committee meeting. There has not been sufficient time for management to address the recommendations and we will follow up on these during the final accounts work, reporting our follow up through our 2024/25 Audit Findings Report.

06 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
E-Financials	Financial reporting	Evaluation of the design and determination of the implementation of relevant ITGCs.
Academy	Revenues & Benefits System	Evaluation of the design and determination of the implementation of relevant ITGCs.
iTrent	Payroll	Evaluation of the design and determination of the implementation of relevant ITGCs.
Active Directory	Network	Evaluation of the design and determination of the implementation of relevant ITGCs.

07 Value for Money Arrangements

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Page 40



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Council's VFM arrangements

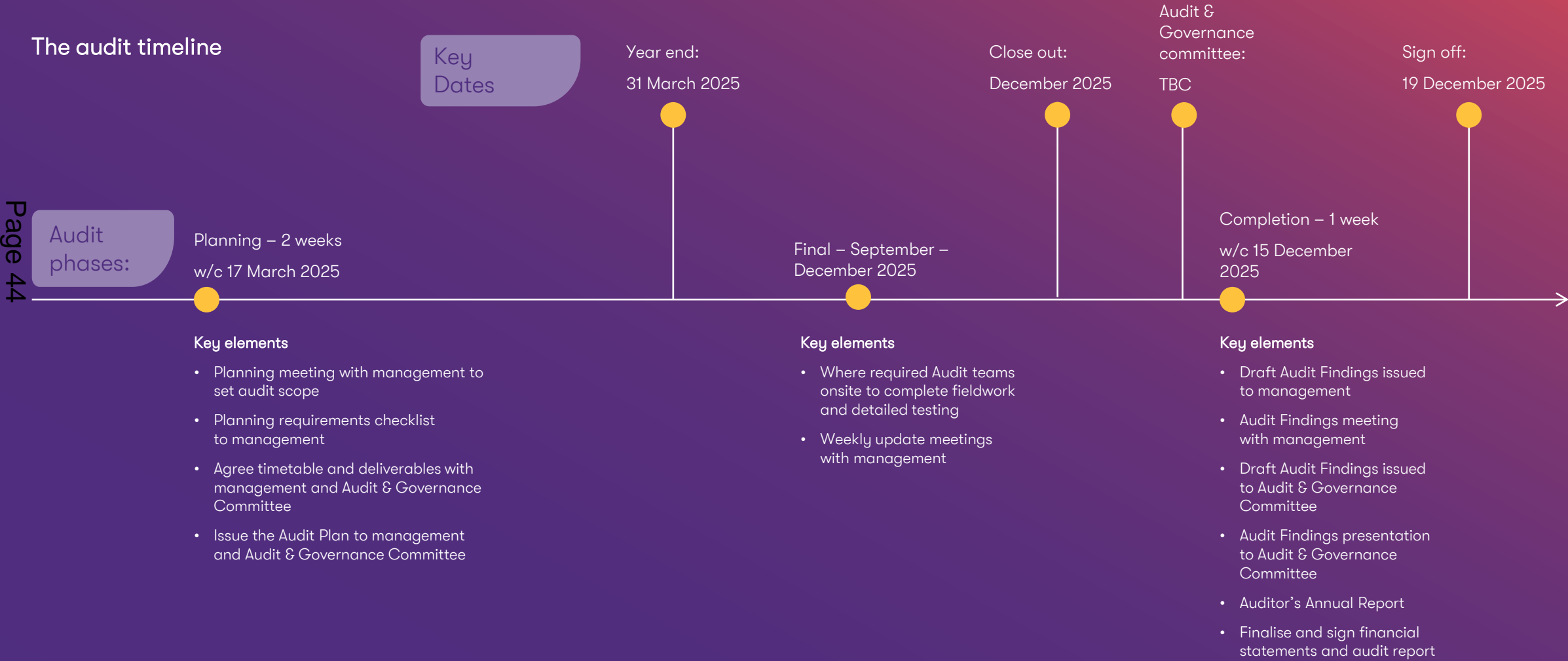
The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures	
Financial sustainability	A	No significant weakness reported in 2023-24 AAR but nine improvement recommendations have been made.	No risk of significant weakness has been identified.	We will undertake sufficient work to document our understanding of your arrangements as required by the Code.
Governance	R	Three significant weakness in arrangements in the Council’s governance arrangements were identified and three key recommendation made (noting one of the weaknesses and key recommendations was for 2024/25). Another is outstanding from 2022/23. We also raise five improvement recommendations.	We have identified risks of significant weakness with regard to the Council's governance arrangements. We raised two key recommendations to address significant weaknesses in arrangements identified in 2023/24 relating to the Council's alternative delivery models and the Council's procurement procedures. There is a risk that the Council has not fully addressed these weaknesses. We also identified a significant weakness in our 2023/24 Auditors Annual Report that relates 2024/25 fraud management arrangements.	We will undertake additional risk-based work to assess the progress that the Council has made in addressing the key recommendations we raised in 2023/24 to ensure that governance arrangements are strengthened.
Improving economy, efficiency and effectiveness	R	Two significant weakness in arrangements were identified and two key recommendation made, one of which is outstanding from 2022/23. We also raise three improvement recommendations.	We have identified a risks of significant weakness with regards to how the Council's secures economy, efficiency and effectiveness. We raised two key recommendations to address significant weaknesses in arrangements identified in 2023/24 relating to the Council's performance monitoring and with regards to the Council’s procurement and contract management arrangements. There is a risk that the Council has not fully addressed these weaknesses.	We will undertake additional risk-based work to assess the progress that the Council has made in addressing the key recommendations we raised in 2023/24, to ensure that performance monitoring and procurement and contract management arrangements are strengthened.
We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.			<div><div>G</div><div>A</div><div>R</div></div>	No significant weaknesses in arrangements identified or improvement recommendation made. No significant weaknesses in arrangements identified, but improvement recommendations made. Significant weaknesses in arrangements identified and key recommendations made.

08 Logistics

Page 43

Logistics



Our team and communications

Grant Thornton core team



Grace Hawkins

Engagement Lead

- Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers
- Key contact for senior management and Audit and Governance Committee
- Overall quality assurance



David Johnson

Audit Manager

- Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers
- Audit planning
- Resource management
- Performance management reporting



Carmen Ng

In-charge

- Key audit contact responsible for the day to day
- Management and delivery of audit work
- Audit fieldwork

Our team and communications (continued)

Page 46

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Annual client service review	<ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• The Audit Findings• Auditor’s Annual Report	<ul style="list-style-type: none">• Audit planning meetings• Audit clearance meetings• Communication of query/issues log	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion		<ul style="list-style-type: none">• Communication of audit issues as they arise	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

09 Fees and related matters

Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

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 \(revised 2024\)](#) 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.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Exeter City Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £183,485.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#).

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Company	Audit Fee for 2023/24	Proposed fee for 2024/25
	(£)	(£)
Council Audit	168,042	183,485
ISA 315	9,415	Included in scale fee
IFRS 16 (estimate)	-	7,500
Total (Exc. VAT)	177,457	190,985

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, 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; and
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

- valuer for valuation of land and building, including Council Dwellings, and investment properties;
- actuary for valuation pension fund liability; and
- expert for valuation of financial instruments (where appropriate).

Previous year

In 2023/24 the scale fee set by PSAA was £168,042. The final proposed fee for the audit was £177,457 which is still subject to consideration by PSAA.

10 Independence considerations

Page 49

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no matters that we are required to report.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and 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 providing services to the Council.

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to 30 April 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the council’s policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Exeter City Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that non audit fees are not greater than audit fees.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing capital receipts grant 23/24	10,000 (2022/23)	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 £20,000 in comparison to the total proposed fee for the audit of £190,985 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.
	10,000 (2023/24)	Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management threat	
Certification of Housing Benefit Subsidy return 23/24	30,705 (2022/23)	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 £75,255 in comparison to the total proposed fee for the audit of £190,985 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.
	44,550 (2023/24)	Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants
		Management threat	

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

11 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

12 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

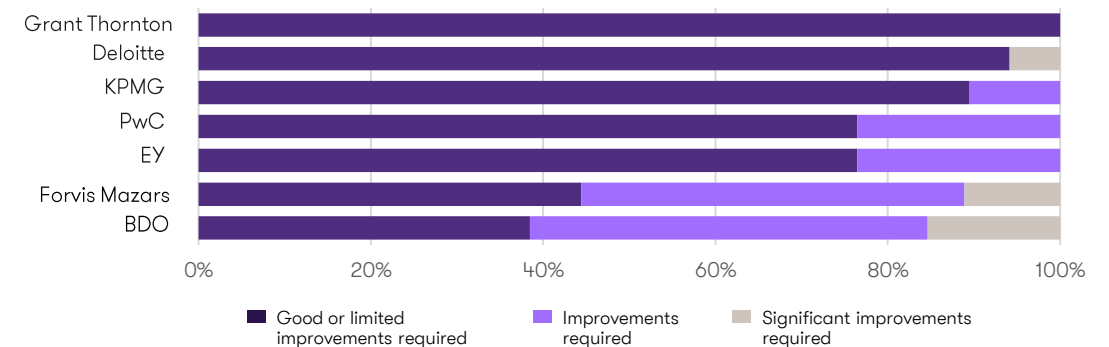
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



13 Appendices

Escalation Policy



The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit & Governance Committee (at next available Audit & Governance Committee meeting or in writing to Audit & Governance Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit & Governance committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.



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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 24 July 2025

REPORT TO COUNCIL

Date of Meeting: 2 September 2025

Report of: Strategic Director of Corporate Resources

Title: Annual Governance Statement – 2024/25

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 2024/25.

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 2024/25; and

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

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.

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 is a statutory requirement as set out in Regulation 4 of the Accounts and Audit (England) Regulations 2011.
- 6.2 Regulation 4 is headed 'Responsibility for financial management'. It specifies that the Council is responsible for ensuring that its financial management is 'adequate and effective' and that it has '...a sound system of internal control which facilitates the effective exercise of [its] functions and which includes arrangements for the management of risk'.
- 6.3 The Council is required to conduct a review '...of the effectiveness of its system of internal control' at least once per year.
- 6.4 The findings of the review are considered by the Council's Audit and Governance Committee. Following the review, the Committee '...must approve an annual governance statement, prepared in accordance with the proper practices in relation to internal control.'
- 6.5 Once approved, the annual governance statement must accompany the Council's statement of accounts.

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 arrangements 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 the Council engages with and leads 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 impact 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.

Strategic Director of Corporate Resources, 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



Exeter City Council

Annual Governance Statement 2024-25

Annual Governance Statement

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.

Annual Governance Statement

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 2025 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 focused upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Council's Corporate Plan 2022-26. 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 24 July 2024. 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 Strategic Directors including the Section 151 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

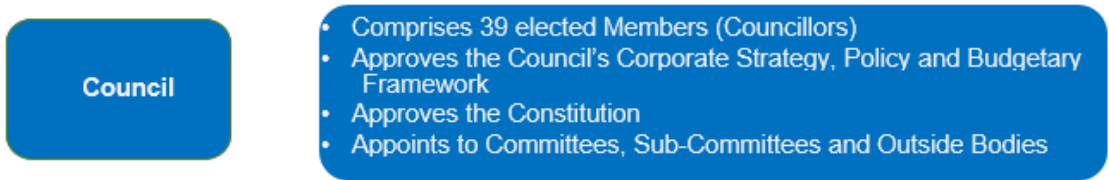
The key elements of the Governance Framework

Role of Governance Arrangements

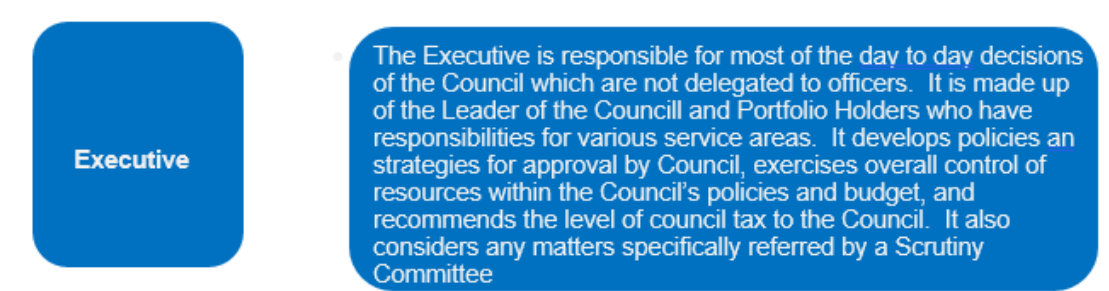
The Council operates Executive governance arrangements, which consist of Executive and Scrutiny function. All Executive members have been allocated a specific portfolio and are responsible for driving forward the Council's key strategic aims.

The Council has a constitution which sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. This was approved in (insert date) and will be kept under review throughout the year.

Role of the Council



Role of Executive



The Executive now regularly considers strategic risk registers, performance, complaints and other items which make up the governance framework. Scrutiny Committee are sighted on the Executive's work plan and may consider as appropriate. The Executive provides strategic leadership to the authority and is held to account by the Council's Scrutiny Committees.

Annual Governance Statement

Role of Scrutiny

Scrutiny

- Not a decision-making body but seek to influence policies and decisions prior to them being made
- Have the ability to challenge/review decisions by calling them in
- Can investigate issues of public importance

The role that Scrutiny can play in holding an authority's decision-makers to account makes it fundamentally important to the successful functioning of local democracy. Effective scrutiny helps secure the efficient delivery of public services and drives improvements within the authority itself.

Role of Audit and Governance Committee

Audit & Governance

- To provide independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment
- Approves the Annual Governance Statement and the Statement of Accounts
- To promote high standards of member conduct

The Committee meets with the external and internal auditor to discuss findings in the Annual Audit Management Letter and Reports and the Committee is responsible for ensuring that the Council's system for internal control is sound by reviewing control mechanisms, and guidelines (both internal and external) as well as adherence to these, ensuring continued probity and good governance of the Council's operations.

Annual Governance Statement

Role of Management

The Authority has two layers of management and its management teams each play an important role in maintaining the governance framework.

Strategic Management Board (SMB)

- Implements policy and budgetary framework set by Council and provides advice to Committees of the Council on the development of future policy, procedure and budgetary issues
- Oversees the delivery of the Council's Corporate Strategy and implementation of Council Policy
- Oversees the implementation of audit recommendations to improve weaknesses in controls in a timely manner

Operational Management Board (OMB)

- Responsible for developing, maintaining and implementing the Council's governance risk and control framework
- Contribute to the effective corporate management and governance of the Council
- Responsible for ensuring audit recommendations to improve weaknesses in controls are actioned in a timely manner

The Strategic management Board ("SMB") comprising the Chief Executive and Strategic Directors meet weekly and focus on strategic issues, projects and programs and the health of the organisation.

The Operational Management Board ("OMB") comprises all service managers and they meet monthly to consider operational service issues and ensure compliance with corporate matters, such as performance, risk registers, compliance.

The Extended Leadership Team ("ELT") comprising SMB and OMB meet regularly and focus on both the Council's strategic direction, leadership and organisational development.

All Strategic Directors meet with the Heads of Service in their respective Directorates to consider specific service matters regularly.

Annual Governance Statement

Role of Statutory Officers

Head of Paid Service

- Overall Corporate management and operational responsibility for the Council, including overall management responsibility for all employees
- The Head of Paid Service will determine how the Council's functions are discharged, the Council's structure, the number and grade of officers required to discharge those functions
- The provision of professional advice to all parties in the decision making process and responsibility for a system of record keeping for all the council's decisions
- Proper Officer for Access to Information

Section 151 Officer

- Accountable for developing and maintaining the Council's governance, risks and control framework
- Ensuring lawfulness and financial prudence of decision making and the administration of financial affairs
- Providing advice to all Councillors' on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues
- Support and advise Councillors in their respective roles
- Contributes to the effective corporate management and governance of the Council

Monitoring Officer (MO)

- Monitoring, reviewing and maintaining the Constitution
- Ensuring lawfulness and fairness of decision making
- Supporting the Audit & Governance Committee by conducting investigations and/or undertaking other action in respect of matters referred by the Committee
- Advising whether decisions are in accordance with the Constitution
- Providing advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues
- Support and advise Councillors in their respective roles
- Contribute to the effective corporate management and governance of the Council

Annual Governance Statement

The three statutory officers; the Head of Paid Service (the Chief Executive), the Monitoring Officer (Head of Service – Legal & Democratic) and Section 151 Officer (Strategic Director for Corporate Resources) fulfil the statutory duties associated with their roles as detailed above.

The Council's financial management arrangements conform to the governance requirements as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council formally reviews its Financial Procedure Rules on a regular basis. On-going updates are implemented as part of the regular reviews of the Constitution.

Role of Southwest Audit Partnership

Internal Audit (South West Audit Partnership)

- Provides independent assurance and opinion on the adequacy and effectiveness of the Council's risk management and control framework
- Delivers an annual program of risk-based audit activity, including counter fraud and investigation activity and makes recommendations for the improvement in the management of risk and control

The Southwest Audit partnership is responsible for monitoring the quality and effectiveness of systems of internal control. The Council has delegated its Internal Audit function to Southwest Audit partnership. Internal Audit undertakes its work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom and the Public Sector Internal Audit Standards.

A risk model is used to formulate an annual audit work plan, progress against which is reviewed each quarter by Senior Leadership Team and the Audit & Governance Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director and Service Lead as well as the Section 151 Officer.

The reports include an independent opinion on the adequacy of the applicable internal controls, audit findings and recommendations for improvements with an agreed timescale for implementation.

Progress against recommendations is followed up by Internal Audit and reported to Audit and Governance Committee at each meeting throughout the year.

Annual Governance Statement

The Internal Audit Annual Report 2023/24 was considered by the Audit and Standards Committee in July 2024. Internal Audit's opinion overall, based on all Internal Audit work during the year is that Satisfactory Assurance can be given over the adequacy and effectiveness of the Council's control environment for 2023/24.

Role of External Audit

The current external auditors are Grant Thornton. External Auditors audit the financial statements and provide an audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended. An unqualified opinion was issued in February 2025.

External auditors also consider whether the Council has put in place proper arrangements to secure economy, efficiency, effectiveness on its use of resources.

This Annual Governance Statement for 2023/24 is the latest accountability statement for governance.

Role of Risk Management

A robust risk management framework is an integral part of operational service delivery and the decision-making process. The Council has a Performance and Risk Management Framework in place which provides visibility and assurance that there is a robust approach to managing performance and risk. An up to date and regularly reviewed Risk Management Policy and Strategy is maintained. This requires that both Directorate and Strategic Risk Registers are maintained with appropriate action plans to mitigate and manage identified risks. The strategic risk registers are reviewed and updated at the SMB Team as appropriate.

Responsibility for assessing the adequacy of the risk management process sits with the Audit and Governance Committee. Review of the risks and the implementation of mitigating controls included in the Corporate Risk Register (CRR) is undertaken by the Executive as owners of the CRR, this is done on a quarterly basis. The Council's Strategic Management Board (SMB) are responsible for constantly reviewing the risks being posed to the Council

Heads of Service monitor risks at operational level and feedback any issues to their Strategic Director. Any significant risks, at operational level, that could impact the Council corporately are escalated to the CRR. The administrative support for the CRR process is provided by the Executive Office Manager.

To ensure that risk is considered when decisions are made, all reports presented to Members must include a risk assessment of the actions or implications within the report. This assessment also covers legal and financial considerations. Risk assessments are also put in place as part of the Council's Project Management process.

Annual Governance Statement

The Strategic Risk Register is reported to the Executive to ensure those agreeing and implementing policy decisions, do so in knowledge of the context of the risks being faced by the Council.

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.

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" and with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Section 151 Officer is a member of the Council's Strategic Management Board.

Annual Governance Statement

Internal Audit

The Internal Audit Service is provided by South West Audit Partnership and is 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 December 2024 when the external assessor concluded that:

"It is our overall opinion that SWAP **generally conforms** to the Public Sector Internal Audit Standards (PSIAS), including the *Definition of Internal Auditing*, the *Code of Ethics* and 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, although all necessary audit work has been completed. With regards to 2021/22, 2022/23 and 2023/24 again Grant Thornton has not yet issued a certificate of completion, but all work has been completed and an audit opinion has been issued for each year.

Corporate Complaints

During 2023-24, 40 corporate complaints were received compared to 23 in 2023-24. Of the 40 complaints received, 26 were dealt with at Stage 1, 8 were dealt with at stage 2 and 6 were escalated to the Local Government ombudsman and there are no complaints waiting to be resolved. In addition there were 219 Housing complaints of which 180 were dealt with at Stage 1, 37 were dealt with at stage 2 and 2 were escalated to the Social Care and Housing Ombudsman.

Performance Management

Performance management of individual services, for example building control, planning and waste management has been developed in our Power BI dashboards. The scope of these dashboards continues to expand and the reports enable accessible, visible data and analytics to support managers in monitoring performance. A review of the priorities and objectives in the corporate plan will be undertaken shortly following the appointment of the new Chief Executive. When completed a performance framework will be introduced to enable reporting and monitoring of performance across key areas of the council.

Annual Governance Statement

Key Issues 2024-25

<p>In SWAP's Annual Report 2024-25, they one risk that they high.</p>	<p>Debt Management Advisory Review</p> <p>Our work showed there were varying levels of debt recovery action taken across service areas. Several service areas reported they do not have dedicated debt recovery officers and that they do not take recovery action regularly.</p> <p>There were three separate debt recovery procedures published on the intranet. None of them provide detailed instructions of the recovery steps services should follow beyond automatic reminders. The procedure documents have not been reviewed since 2019. The council's write-off authorisation protocols are restrictive, which may deter write-off even when this is the most appropriate action. Write-off guidance and templates need updating.</p> <p>This audit was specifically requested by management as an advisory review outside of the agreed internal audit plan. Senior Management had concerns in relation to the operation of debt management and had already decided to move the function from Revenues and Benefits across to Accountancy Services. This review was requested to assess the basepoint and to help inform priorities for the team.</p> <p>Our action plan monitoring shows agreed actions to be in progress.</p>	<p>Internal Audit and opinion have highlighted organisational have rated as</p>
<p>The Council and has started issues raised.</p> <ul style="list-style-type: none">• A new appointed at full• Policies are being updated;• One member of the team is spending 50% of their time working on Commercial Asset debt (by far the largest area of debt).		<p>accepts this risk to address the</p> <p>team has been and is operating capacity; and procedures reviewed and</p>

In addition, 72% of Audits during the year were given limited assurance. This resulted in an overall opinion of limited assurance. The Council has put in place the following:

- All limited assurance audits are reported to SMB and Audit & Governance;
- All actions are tracked via both Audit Board and internal templates for SMB.

Annual Governance Statement

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.

Signed:

Date:

Councillor Wardle
Chair of Audit & Governance Committee

Signed:

Date:

Dave Hodgson CPFA
Strategic Director Corporate Resources & Section 151 Officer

Signed:

Date:

Councillor Bialyk
Leader of the Council

Signed:

Date:

Bindu Arjoon
Chief Executive

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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: **24 JULY 2025**

Report of: **Head of Internal Audit, Assistant Director SWAP**

Title: **ANNUAL REPORT OF INTERNAL AUDIT FOR THE YEAR ENDED 31 MARCH 2025**

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To conform to the Public Sector Internal Audit Standards, Internal Audit provides a written annual report to support the Council's Annual Governance Statement. This includes an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment.

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 Whilst the overall assessment of limited assurance is below what the Council would wish to achieve, it is reflective of the process that has been put in place to identify areas of weakness and begin to address them. It should be noted that a number of the audits were specifically requested by management to focus on areas of concern and identify an action plan to address issues. It should also be noted that management are fully engaged and many of the issues have been addressed.

6. What are the legal aspects?

- 6.1 The purpose of the internal audit function is to comply with the Public Sector Internal Audit Standards. These came into effect in April 2013. The latest update was issued in March 2017. From 1 April 2025, the new Global Internal Audit Standards will apply together with the UK Public Sector Application Note and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government.

7. Monitoring Officer's comments:

7.1 Since 1st April 2024, Exeter City Council's internal audit function has been performed by South West Audit Partnership Limited.

7.2 Members will note the content of the Internal Audit Annual Opinion for 2024/25. It states at the outset that 'significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives'.

7.3 At page 3 of the Opinion, the Head of Internal Audit (SWAP Assistant Director) states that '...I can offer a Limited Assurance opinion in respect of the areas reviewed during the year.'

7.4 Members will note that regular progress reports have been provided to the Audit and Governance committee and that action plans have been agreed in order to address the limited assurance opinions. The Internal Auditor states at page 4 of the opinion that '...plans are in place to reduce risks reported and to provide assurance that progress is being made.'

7.5 The Internal Auditor notes the '...clear evidence of the commitment of management to implementing actions agreed' and it is notable that the Council has '...engaged with [the Internal Auditor] openly and transparently about known areas of concern' and that '...there is good evidence to demonstrate that the results of [the Internal Auditor's] work will be used to support the organisational improvements that are underway'

8. Report details:

8.1 The Public Sector Internal Audit Standards (PSAIS) 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 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.

11.4.1 The report is for information only

12. Carbon Footprint (Environmental) Implications:

No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

N/A

Author: Lisa Fryer, Assistant Director SWAP

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

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Exeter City Council

Internal Audit Annual Opinion 2024/25

Page 83

Internal Audit Annual Opinion – 2024/25: 'At a Glance'

Annual Opinion



Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.

The Headlines



High Organisational Risk

- Debt Management advisory review (page 6)



Progress against the 2024/25 Internal Audit Plan

- Audit plan delivered, with just one report at draft stage



Follow-ups

Six follow-ups were completed relating to prior year limited assurance reviews. Evidence was sufficient to close these actions.



Outstanding Actions

A system to monitor actions agreed within audit reports has been implemented this year.

Outstanding actions now only relate to audit work finalised during 24/25.

Assurance Opinions

	2023/24	2024/25
Substantial	7	1
Reasonable	14	3
Limited	7	10
No Assurance	0	0
Advisory	2	3
Grants	1	1
Follow Up	n/a	6
Total	31	24

Agreed Actions

	2023/24	2024/25
Priority 1	4	16
Priority 2	100	60
Priority 3	94	33
Total	198	109



Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control, and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

This conclusion refers to the full breadth of the Council's operations across 2024/25. However, internal audit's work cannot address all risks across and so make best use of inevitably limited resources. In approving our audit plan the committee recognised this limitation. Beyond this general disclaimer we have no specific limitations of scope to report.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The Three Lines model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management and compliance.
- the third line – functions that provide independent assurance.

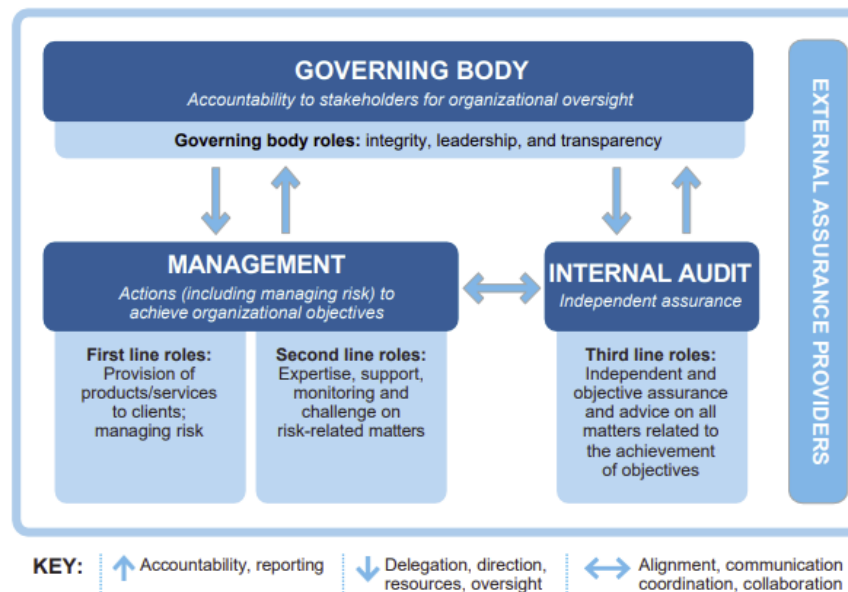


Background

SWAP Internal Audit Services provides the Internal Audit service for Exeter City Council. Our work complies with the Institute of Internal Auditor's International Professional Practices Framework and is guided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. Our work is also guided by the Internal Audit Charter, which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Council's control environment by evaluating its effectiveness. This report summarises Internal Audit's activity for the 2024/25 year.

Internal Audit's role in an organisation's governance framework is best summarised by the Three Lines model shown below.



Audit Coverage by Corporate Risk

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2024/25 audit work for Exeter City Council, I can offer a **Limited Assurance** opinion in respect of the areas reviewed during the year.

A schedule of the work we have delivered is included in this report as **Appendix A**.

The Annual Opinion is based on the following sources of information:

- Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from advisory work.
- Follow up of previous audit activity, including the monitoring of agreed actions.
- Grant certification work.
- Assurances from other providers, including third parties and regulator reports.

A risk based plan was agreed for 2024/25 with audit work scheduled across the Council's key services and strategic risks. A summary of our coverage against the Council's strategic risks is included on page 5.

As agreed the scope of our work does not extend to covering ICT services delivered by Strata, as these are audited by the Devon Audit Partnership. Therefore, we do not consider ICT services or risks when providing the Annual Opinion.

SWAP Internal Audit Services were appointed as the Council's internal auditors from 1st April 2024. From the start, the Internal Audit Team have experienced open engagement with both Senior Management and the Audit and Governance Committee. The Council have made it clear that they value the independent challenge that internal audit provides. Working with Senior Management the internal audit plan has been updated as the year has progressed and has continued to focus on areas of management concern.

Summary of Audit Outcomes

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion Continued

Progress reports highlighting key issues have been provided to the Audit and Governance Committee regularly during the year. Action plans to address weaknesses reported have been readily agreed and those with limited assurance opinions reported separately to the Committee by the S.151 officer. The aim of this report being to demonstrate that plans are in place to reduce risks reported and to provide assurance that progress is being made.

Working together with management a system to monitor actions agreed within audit reports has been implemented this year. This is now operational and allows managers to view and update their agreed audit actions. Monitoring reports are also now produced to help management and members to review progress being made.

Follow-up work was carried out for 23/24 limited assurance audits. This work demonstrated that action had been taken in relation to all 43 actions reviewed. This provides clear evidence of the commitment of management to implementing actions agreed.

The 2024/25 Internal Audit Plan is now substantially complete, with only one audit remaining in progress. In relation to completed audits, 14 have opinions with just 4 reporting reasonable or substantial assurance and the remaining given limited Assurance.

As we follow a risk-based approach to our audit work, it is expected that some reviews will report lower assurance levels. However limited assurance opinions represent 71% of our assurance work and covers key financial, governance and operational systems. We also reported a high organisational risk in relation to debt management during the year. This is why I have decided to offer a limited assurance annual opinion.

The Council itself is self-aware and understands that more needs to be done. During 2024/25 a major organisational restructure has taken place to support improvement across the Council, including in governance arrangements.

To summarise, the Council has engaged with us openly and transparently about known areas of concern to enable the overall position to be independently baselined and improvement plans formally produced. Although the 2024/25 internal audit opinion is limited there is good evidence to demonstrate that the results of our work will be used to support the organisational improvements that are underway.

Summary of Audit Outcomes

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.



Audit Coverage by Strategic Risk

The table below maps audit work to Exeter City Council's key strategic risks to demonstrate assurance levels provided.

Table Key	Reasonable internal audit coverage	Partial internal audit coverage	No internal audit coverage in 2023/24
-----------	------------------------------------	---------------------------------	---------------------------------------

No	Strategic Risk	Risk Score	Coverage
1	Delivering the key challenges in the Net Zero Carbon City section of the Corporate Plan	High	<i>Reasonable Assurance in 23/24</i>
2	Making progress towards a Healthy and Active City	Medium	<i>Leisure - Reasonable Assurance in 23/24</i>
3	Adapting the council workforce to ensure appropriate skills and experience (future proof workforce)	Medium	Occupational Health Services
4	Maintaining the Financial Stability of the Council	Medium	Budget Monitoring, Creditors, Housing Benefit Decisions, Debt Management, Council Tax arrears, payroll
5	Maintaining the Council's Property and Infrastructure Assets	High	Corporate Property Assets, Disabled Facilities Grant, HRA Repairs & Maintenance
6	Delivering Housing and Building Great Neighbourhoods and Communities	High	CIL governance, S106 governance, temporary accommodation
7	Maintaining a thriving Culture & Heritage Sector	Low	
8	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan	Medium	
9	Progressing the design and delivery of a corporate Customer and Digital Strategy	Medium	Covered by Strata

Summary of Audit Outcomes

Definitions of Organisational Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks relating to the area being audited. We assess the risk at an 'organisational' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Organisational risk' as 'High' these are brought to the Audit Committee's attention. For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Debt Management Advisory Review

Our work showed there were varying levels of debt recovery action taken across service areas. Several service areas reported they do not have dedicated debt recovery officers and that they do not take recovery action regularly.

There were three separate debt recovery procedures published on the intranet. None of them provide detailed instructions of the recovery steps services should follow beyond automatic reminders. The procedure documents have not been reviewed since 2019.

The council's write-off authorisation protocols are restrictive, which may deter write-off even when this is the most appropriate action. Write-off guidance and templates need updating.

This audit was specifically requested by management as an advisory review outside of the agreed internal audit plan. Senior Management had concerns in relation to the operation of debt management and had already decided to move the function from Revenues and Benefits across to Accountancy Services. This review was requested to assess the basepoint and to help inform priorities for the team.

Our action plan monitoring shows agreed actions to be in progress.

Summary of Audit Outcomes

At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion:

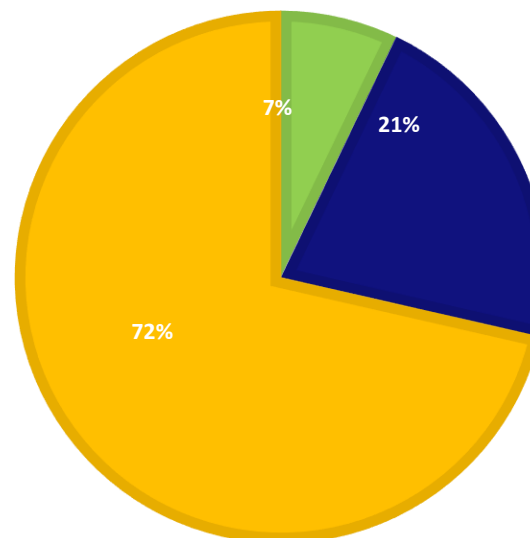


Summary of Audit Opinion

- **Substantial** - A sound system of governance, risk management and control exists.
- **Reasonable** - Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.
- **Limited** - Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.
- **None** - The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives.

**TABLE 1: SUMMARY OF AUDIT OPINIONS
2024/25**

■ Substantial ■ Reasonable ■ Limited



There were no "None" assurance audits in 2024/25.

Summary of Audit Outcomes

We regularly monitor the council’s implementation of agreed management actions. This is important to provide evidence that recommendations have been implemented to reduce areas of risk identified.



Action Tracking and Follow-up Work

Follow-up Work

Follow-up work was carried out for 23/24 limited assurance audits. This work demonstrated that action had been taken in relation to all actions reviewed. The results are summarised below:

Name of Audit	Priority of Action			Total	Satisfactory Follow-up
	1	2	3		
CIL & S106 agreements (22/23)		10	3	13	13
Trade Waste Income		7	3	10	10
Corporate Credit Card		5		5	5
VAT		2		2	2
Health & Safety Training	1	1	2	4	4
Taxi Licensing	1	3	9	13	13
Total	2	28	17	47	47

Two 23/24 audits with limited assurance were not finalised until autumn 2024 and will be followed up during 2025/26. These are:

- Corporate governance
- Raising of invoices

Action Tracking

A system to monitor actions agreed within audit reports has been implemented this year. This allows managers to view and update their agreed audit actions. Monitoring reports are now produced to help management and members to review progress being made.

The majority of the 98 open actions relate to the current year. There are 10 actions outstanding from 23/24 and these are the two audits referred to in the follow-up section above.

Plan Performance 2024/25

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP’s performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for the SWAP team conducting audits at ECC for the 2024/25 year are as follows:

Performance Target	Performance
Overall client satisfaction <i>did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence</i>	100%
Value to the organisation <i>client view of whether our audit work met or exceeded expectations, in terms of value to their area</i>	100%

Until 31 March 2025, the relevant Standards for UK public sector internal audit were the Public Sector Internal Audit Standards. Standard 1312 required auditors to commission an external quality assessment on conformance with the Standards at least every five years. SWAP’s most recent assessment was published in December 2024 and concluded that SWAP “generally conforms”, the highest grade then available in the IIA’s Quality Manual. We can therefore confirm that our work for 2024/25 was completed in conformance with relevant professional standards.

From 1 April 2025 the new Global Internal Audit Standards apply, alongside the UK Public Sector Application Note and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government. We will report conformance against these new Standards as part of our 2025/26 conclusion.

Summary of Internal Audit Work 2024/25


Appendix A

Audit Type	Audit Area	Status	Opinion	Total Actions	1 = Major	↔	3 = Medium
					Actions		
					1	2	3
Complete							
Assurance	Disabled Facilities Grants	Final	Substantial	2	0	1	1
Assurance	Waterways	Final	Reasonable	6	0	3	3
Assurance	Housing Benefit Decisions	Final	Reasonable	2	0	1	1
Assurance	NEW Budget Management	Final	Reasonable	4	0	2	2
Assurance	Corporate Property Assets Maintenance & Capital Programme	Final	Limited	8	1	6	1
Assurance	Creditors	Final	Limited	7	0	4	3
Assurance	Governance Arrangements for CIL Receipts	Final	Limited	7	1	6	0
Assurance	Council Tax Arrears	Final	Limited	4	0	3	1
Assurance	NEW Occupational Health Services	Final	Limited	17	1	11	5
Assurance	Housing Revenue Account Repairs & Maintenance	Final	Limited	6	4	1	1
Assurance	Communication Strategy	Final	Limited	10	2	6	2
Assurance	Temporary Accommodation	Final	Limited	13	1	7	5
Assurance	NEW S106 Governance Arrangements	Final	Limited	9	1	3	5
Assurance	Procurement	Final	Limited	6	2	4	0
Follow-up	CIL & S106 Agreements (22/23)	Final	N/A	All 13 agreed actions implemented			
Follow-up	Trade Waste Income (23/24)	Complete	N/A	Action tracking complete			

Summary of Internal Audit Work 2024/25

Audit Type	Audit Area	Status	Opinion	Total Actions	1 = Major	↔	3 = Medium
					Actions		
					1	2	3
Follow-up	Corporate Credit Card (23/24)	Complete	N/A	Action tracking complete			
Follow-up	VAT (23/24)	Complete	N/A	Action tracking complete			
Follow-up	Health & Safety Training (23/24)	Complete	N/A	Action tracking complete			
Follow-up	Taxi Licensing (23/24)	Final	N/A	All 13 agreed actions implemented			
Grant	NEW Social Housing Decarbonisation Grant	Final	Certified				
Advisory	Debt Management	Final	N/A	8	3	2	3
Advisory	NFI	Complete	N/A	Initial support for this data matching exercise			
Advisory	Fraud advice and support including confidential reporting	Final	N/A				
Draft							
Assurance	Payroll – self service	Draft					
Deferred							
Assurance	People Management	Deferred	Request from SMB to defer as review currently ongoing. To schedule in 25/26. To replace with occupational health services.				
Assurance	Risk Management	Deferred	Request from SMB to defer as much work currently ongoing in this area. To schedule in 25/26. Replaced with budget management.				

Summary of Internal Audit Work 2024/25

Audit Type	Audit Area	Status	Opinion	Total Actions	1 = Major		3 = Medium
					Actions		
					1	2	3
Assurance	Contract Management	Deferred	Agreed with S151 to defer. Contract Management has received good coverage in recent years. Resources will focus on procurement in 24/25 given new regulations to be implemented in February.				
Assurance	Net Zero/Climate Change	Deferred	Request from SMB to defer as audited regularly including recent audit in 23/24 (satisfactory assurance). Replaced with CIL audit.				
Assurance	Main Accounting	Deferred	Request to defer as delays to new system implementation.				
Assurance	Health and Safety	Deferred	Request to defer to 25/26.				
Proactive Fraud	Fraud Baseline Assessment	Deferred	Request to defer to Q1 25/26.				

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: **24th July 2025**

Report of: **Head of Internal Audit, Assistant Director SWAP**

Title: **INTERNAL AUDIT PROGRESS REPORT FOR THE YEAR ENDED 31 MARCH 2025 – QUARTER 4**

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To report on 2024/25 internal audit work during quarter 4. To advise on overall progress against the Audit Plan and to highlight areas where improvements in governance, risk or internal controls have been agreed.

2. Recommendations:

2.1 That the Internal Audit Progress Report for quarter 4 be noted.

3. Reasons for the recommendation:

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

4. What are the resource implications including non financial resources

4.1 None

5. Section 151 Officer comments:

5.1 The first year of the relationship with SWAP can be considered a success and it has delivered the service that we anticipated on joining. It is pleasing to note the plan is substantially complete with just one draft report remaining.

6. What are the legal aspects?

6.1 Internal Audit is a statutory requirement in accordance with the broad requirements of section 151 of the Local Government Act 1972 which requires that, inter alia, '...every local authority shall make arrangements for the proper administration of their financial affairs'. More particularly, the role of Internal Audit is set out in the Accounts and Audit (England) Regulations 2015. Regulation 3 requires a local authority to have '...a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk'. Regulation 5 sets out the provisions concerning the role of Internal Audit and states that '[a] relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'

7. Monitoring Officer's comments:

7.1 Internal audit is an essential function '...providing risk-based and objective assurance, advice and insight' as stated in the Institute for Internal Auditors' 2017 Mission Statement.

7.2 The Mission Statement goes provides a definition of the role of internal audit and states that the fundamental purpose, nature and scope of internal audit is to provide '...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 evaluating and improving the effectiveness of risk management, control and governance processes'.

7.3 By working with services across the Council, Internal Audit works to ensure that Council objectives are met and that risks are well managed.

8. Report details:

8.1 This Committee receives quarterly internal audit progress reports. This allows progress against the agreed plan and the main issues arising to be monitored, seeking assurance from management that action has been taken, where necessary. The 2024/25 Audit Plan was approved at this Committee on 6th March 2024. The purpose of internal audit is to provide an independent, objective assurance and consulting service designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk based and objective assurance, advice, and insight. The internal audit Service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

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 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 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

Author: Lisa Fryer, Assistant Director SWAP

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

Background papers used in compiling this report:-

None

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Exeter City Council

Report of Internal Audit Activity

Progress Report – Quarter 4 2024/25

Internal Audit –Quarter 4 2024/25: ‘At a Glance’

The Headlines



2024/25 Reviews completed in the period

- Six assurance audits finalised



Progress to date

- The plan is substantially complete
- One audit remains in draft



High Organisational Risk

- None reported in the period



Action plan monitoring and follow-ups

- One follow-up review was completed in the period with evidence of all actions implemented
- The council has 98 active agreed actions, 88 of these relate to the current year.



Plan changes in the year

SMB have reviewed the plan to ensure that it continues to focus on the highest risks and priorities. Higher priority audits have replaced five reviews as a result. In the period two further reviews have been deferred and have been rescheduled for 2025/26.



Range of innovations and enhancements made to our internal audit process throughout the year

SWAP has set up a monitoring system for actions agreed within audit reports to allow managers to view and update their agreed audit actions. Monitoring reports are now produced to help management and members to review progress being made.

Internal Audit Assurance Work 2024/25

	Q4	YTD
Substantial	0	1
Reasonable	1	3
Limited	5	10
No Assurance	0	0
Follow-up	1	6
Grants	0	1
Advisory & Other	1	3
Total	8	24

Internal Audit Agreed Actions 2024/25

	Q4	YTD
Priority 1	10	16
Priority 2	23	60
Priority 3	15	33
Total	48	109

Summary

As part of our rolling plan reports, we will detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

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Introduction

The Audit and Governance Committee approved the 2024/25 Internal Audit Plan in March 2024. This report sets out our progress against that plan. **Appendix E** summarises our progress and includes new audits that we have added to the plan.

Each completed assignment includes its respective assurance opinion rating together with the number and relative ranking of actions we have agreed with management.

We have applied the assurance opinion ratings in accordance with the SWAP Audit Framework Definitions detailed in **Appendix A**.

To assist the Committee in its important monitoring and scrutiny role, **Appendix B** summarises our key findings from No and Limited assurance opinion audits.

A follow-up review is performed in respect of all limited assurance opinion audits. This is important to provide evidence that recommendations have been implemented to reduce areas of risk identified. **Appendix C** summarises the results of the follow-up review completed in the period.

It is important that the council implements agreed actions to address the control weaknesses set out in our reports. To give the Audit and Governance Committee a level of assurance that this is happening, we conduct regular action tracking. The council's current position is summarised in **Appendix D**.

In circumstances where findings have been identified which are considered to represent high corporate risks to the Council, due to their importance, these issues are separately summarised. No significant corporate risks were reported in the period.

Internal Audit Progress Update

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

The internal audit plan agreed is based on our risk-based approach to help ensure that resources are focused where internal audit can offer the most value and insight. A key source of information is the Council's strategic risk register.



Internal Audit Plan coverage of strategic risks

The table below maps our completed and planned audits against the council's strategic risks. As the year builds and more work is completed, coverage across key risk areas will increase. 'Reasonable' coverage reflects the delivery of planned assurance levels. This table only includes audits that are part of the H1 2024/25 Internal Audit Plan. Audits that have not yet started are shown in italic font.

Table Key	Reasonable internal audit coverage 2024/25	Partial internal audit coverage 2024/25	No internal audit coverage 2024/25
-----------	--	---	------------------------------------

No	Strategic Risk	Risk Score	Coverage
1	Delivering the key challenges in the Net Zero Carbon City section of the Corporate Plan	High	<i>Reasonable Assurance in 23/24</i>
2	Making progress towards a Healthy and Active City	Medium	<i>Leisure - Reasonable Assurance in 23/24</i>
3	Adapting the council workforce to ensure appropriate skills and experience (future proof workforce)	Medium	Occupational Health Services
4	Maintaining the Financial Stability of the Council	Medium	Budget Monitoring, Creditors, Housing Benefit Decisions, Debt Management, Council Tax arrears, payroll
5	Maintaining the Council's Property and Infrastructure Assets	High	Corporate Property Assets, Disabled Facilities Grant, HRA Repairs & Maintenance
6	Delivering Housing and Building Great Neighbourhoods and Communities	High	CIL governance, S106 governance, temporary accommodation
7	Maintaining a thriving Culture & Heritage Sector	Low	
8	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan	Medium	
9	Progressing the design and delivery of a corporate Customer and Digital Strategy	Medium	Covered by Strata

Internal Audit Progress Update

We regularly monitor the council's implementation of agreed management actions.



SWAP Monitoring

Action Tracking

It is important that the council implements agreed actions to address the issues set out in our reports. To give the Audit and Governance Committee a level of assurance that this is happening, we conduct regular action tracking. The agreed actions are for audits from 2023/24 and 2024/25. We recognise that it can take longer to implement actions than planned, and sometimes target timescales need changing. The council's current position is summarised in **Appendix D**.

The council has 98 active agreed actions, the majority of these relate to the current year with only 10 actions remaining from 2023/24.

We conduct follow-up work for all No and Limited assurance audits to assess whether the council has completed the actions agreed. In the period we completed one follow-up review of the 23/24 audit of Taxi Licensing. We found evidence that all 13 recommendations had been implemented. Refer to **Appendix C** for further information.

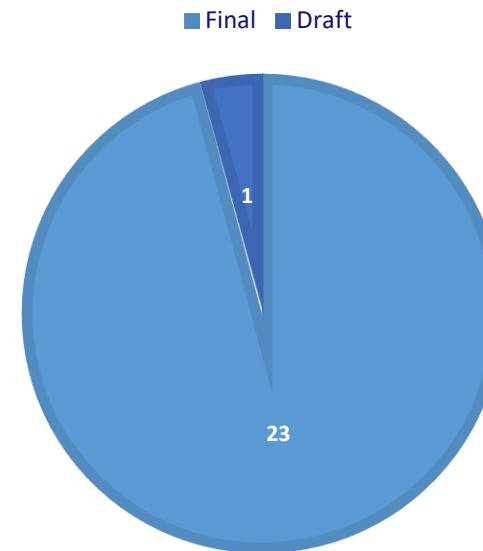
Internal Audit Progress Update

We need adequate audit coverage to provide our annual opinion.



Year to Date Progress

2024/25 PLAN PROGRESS



96% of the plan is now complete with just one audit remaining at draft report stage.

Appendix A: SWAP Audit Framework and Definitions

Audit Assurance Definitions

No	The review identified fundamental gaps, weaknesses, or non-compliance, which require immediate action. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement which may put at risk the achievement of objectives in the area audited.
Substantial	The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Organisational Risk Assessment Definitions

Assessment	Organisational Risk & Reporting Implications
High	Our audit work includes areas that we consider have a high organisational risk and potential significant impact. Both senior management and the Audit Committee should consider key audit conclusions and resulting outcomes.
Medium	Our audit work includes areas that we consider have a medium organisational risk and potential impact. The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
Low	Our audit work includes areas that we consider have a medium organisational risk and potential impact. We believe the key audit conclusions and any resulting outcomes still merit attention but could be addressed by service management in their area of responsibility.

Categorisation of Actions

In addition to the organisational risk assessment it is important to know how important the individual management actions are. Each action has been given a priority rating with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Appendix B: Limited Assurance Audits


Housing Revenue Account related Housing Repairs – Final Report



Audit Objective

To provide assurance that housing repair expenditure, in particular exclusions and order variations, are made in accordance with the Council's repairs price per property contract, with appropriate authorisation and audit trails in place to support payments made.

Executive Summary

	Assurance Opinion		Management Actions		Organisational Risk Assessment	Medium
	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.		Priority 1	4	Our audit work includes areas that we consider have a medium organisational risk and potential impact.	
			Priority 2	1		
			Priority 3	1		
			Total	6	The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.	

Key Conclusions

	The percentage of exclusions outside of the Price Per Property Contract (PPP) for the current year, up to November 2024, has increased and is now at 36%. This has a significant impact on the budget.	Audit Scope The scope of the audit covered the 24/25 year from 1 st April to 15 th November and included: <ul style="list-style-type: none"> • A sample of exclusions to ensure there is a clear justification and approval process for payments made using an exclusion process rather than a schedule of rates. • A sample of exclusion repairs where additional works have been added to ensure there is a clear justification and approval process for payments made when additional works are carried out. • A sample of exclusion repairs where the order value set has been exceeded to ensure there is a clear justification for payments and approval process for this. • Data analytics, including the proportion of repairs that are completed within contract schedule of rates compared to exclusions, additional works and those exceeding order value set, to determine the impact on the budget overspend.
	Recommendations made in the Echelon report have not been implemented, including providing training in the better understanding on the PPP contract.	
	Assessment of the repair reported is not always accurate, meaning the order generated does not always reflect the work required. Our testing found that for the current year, as of November 2024, 55% of all exclusions exceeded the original order value.	
	Documentation to support quotation works is not always saved onto the Open Housing system, instead it's being saved by the surveyor in their email box.	
	The Council has been proactive in commissioning Echelon to review the effectiveness of the PPP contract, but it needs to implement the recommendations of the report and monitor the effectiveness of doing so.	

Next Steps

Officers have agreed to complete all actions by September 2025. Officers have advised that a new, more streamlined, process for the upload of supporting documents to the Open Housing system is being considered.

Appendix B: Limited Assurance Audits

Section 106 Governance – Final Report – April 2025



Audit Objective

To review the council's processes for monitoring the receipt of financial contributions and the implementation of non-financial obligations, and the processes for allocating and spending Section 106 (S106) funds.

Executive Summary

	Assurance Opinion		Management Actions		Organisational Risk Assessment	Medium
	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.		Priority 1	1	Our audit work includes areas that we consider have a medium organisational risk and potential impact.	
			Priority 2	3		
			Priority 3	5	The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.	
			Total	9		

Key Conclusions

	Although decisions on S106 expenditure are made through the democratic process – either through Full Council or under delegated powers – there is no overarching governance framework for the comprehensive prioritisation of S106 receipts.
	There is no established process for monitoring and reporting on projects funded by S106 contributions. This may lead to potential misallocation of funds and hinder the transparent and accountable use of the contributions.
	Limited resources have been dedicated to the identification and confirmation of the developer meeting non-financial obligations.
	Exacom lacks full compliance monitoring information for all S106 agreements which predate 2014. In addition, due to this incomplete data, the council is not currently able to provide the public facing module within Exacom.
	The council does not charge a fee for S106 compliance checks, where it is able to do so. In addition, the service does not have an online form specifically designed for submitting compliance queries. This could streamline and standardise the process, and increase officer efficiency.

Audit Scope

The scope of the audit review focused on the following areas:

- Processes for monitoring trigger points for both financial and non-financial obligations, including clear roles and responsibilities
- Processes for allocating the S106 contributions collected, and monitoring the spend, including the approval procedures and how this relates to other funding streams, e.g., CIL
- Effectiveness of Exacom in monitoring planning obligations
- Processes for discharging S106 agreements and the processes for handling compliance queries
- Publication of information relating to S106 agreements

Added Value

As stated above, the council does not currently charge for responding to compliance queries, where it is able to do so. By taking the average fee charged by our partners and neighbouring councils, we carried out an analysis to determine the cost of providing this service each year, and the income lost through not charging for this service. This identified an estimated £12,522 of officer time is spent responding to these queries, with approximately £32,000 in lost income. The results of this exercise have already been shared with the Head of City Development, the Assistant Service Lead (Local Plan) and the Principal Project Manager City Development (CIL and Section 106).

Appendix B: Limited Assurance Audits

Communications Strategy – Final Report – March 2025



Audit Objective

To provide assurance that the council is taking sufficient action to deliver aspects of its Communications Strategy.

Executive Summary



Assurance Opinion

The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives.

Management Actions

Priority 1	2
Priority 2	6
Priority 3	2
Total	10

Organisational Risk Assessment

Medium

Our audit work includes areas that we consider have a medium organisational risk and potential impact.

The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.

Key Conclusions

	Although the Communications Strategy outlines the council's core communication objectives, it does not set out a clear vision nor the action the council needs to take to achieve this. There is also a lack of documented evidence demonstrating regular monitoring of progress against strategy objectives.
	In addition, there is no evidence that the Communications Strategy has been approved and endorsed by service and senior management, or that the Strategy was presented to Members for their consideration and approval.
	There is no published privacy notice that covers the data processing activities undertaken by the Communications Team.
	The Social Media Policy has not been reviewed since its creation in November 2023. Some elements are missing from the Policy and there is no evidence that the Policy has been approved by senior management.
	There are 29 social media accounts that have been inactive for over six months. In addition, there is no permanent storage folder for the authorisation of new social media accounts, and the central record of corporate social media accounts includes limited information.
	Members have not received any media training since November 2022 and senior management do not receive any formal media training at all.

Audit Scope

We reviewed the following areas:

- The Communications Strategy, including its adoption by senior management, delivery plan and progress monitoring.
- Social media, including compliance with the Social Media Policy, authorisation and monitoring of social media accounts, training, and use of feedback.
- Media relations, including media briefings, responses to inaccurate or misleading coverage, media training and relationship building.
- Celebrating success, including proactive communication of good news stories, use of platforms and events and recognition programs.
- Internal communications, including frequency and methods of communications, and responses to staff feedback.

We also completed an information sharing exercise on internal communications, the results of which have been shared with the Executive Office Manager.

Areas of Good Practice

We have also identified some areas of good practice from the audit review. These have been set out in Appendix A, below.

Appendix B: Limited Assurance Audits

Temporary Accommodation – Final Report – May 2025



Exeter
City Council




SWAP
INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

Audit Objective

To assess whether the council is meeting its statutory obligations in respect of provision of temporary accommodation.

Executive Summary

	Assurance Opinion		Management Actions		Organisational Risk Assessment	Medium
	The review identified significant gaps, weaknesses, or non-compliance. The system of governance, risk management and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.		Priority 1	1	Our audit work includes areas that we consider have a medium organisational risk and potential impact.	
			Priority 2	7		
			Priority 3	5	The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.	
			Total	13		

Key Conclusions

	Our testing showed that processes for assessing eligibility for temporary accommodation are consistently effective, helped by workflows on the Locata system. Staff have access to regular technical training. The service has introduced processes for assessing the safety of temporary accommodation.	Audit Scope We reviewed the risk that temporary accommodation provision is poorly controlled, which could lead to the council housing residents in poor quality accommodation, not collecting income owed, or not meeting its legal obligations.
	The council does not have current contracts with all longstanding temporary accommodation providers. Some suppliers have been used for many years without any formal procurement process. The Housing service has already started engaging with the Procurement team to establish compliant arrangements.	To do this we assessed the following areas:
	While the council has processes that consider safety of temporary accommodation, including risk assessment, these processes need strengthening to be fully effective. We found some gaps in safety compliance checks and remedial works that the Housing service will follow up.	<ul style="list-style-type: none"> • policies, procedures and delegated powers of authority • management of capacity to meet demand for temporary accommodation
	The council has not published a policy setting out how the council will allocate temporary accommodation or determine what accommodation is suitable. The Housing service intends to publish a policy by August 2025.	<ul style="list-style-type: none"> • compliance with health and safety regulations and housing standards • temporary accommodation assessment process; and • rent collection and debt monitoring
	The council's Homelessness and Rough Sleeping Prevention Strategy 2023-27, of which temporary accommodation is part, sets out a governance structure which has not yet been established. While the council monitors performance indicators for temporary accommodation, many do not have targets.	

Further Information

The Housing service engaged positively with this audit and officers have agreed to implement 13 actions by 31 October 2025. Many of the agreed actions will be considered as part of a wider Housing service review.


Appendix B: Limited Assurance Audits

Procurement – Final Report – June 2025



Audit Objective To establish the extent to which directorates follow the Procurement & Contract Procedures.

Executive Summary

	Assurance Opinion	Management Actions		Organisational Risk Assessment	Medium	
	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management and control require improvement to effectively manage risks to the achievement of objectives in the area audited.	Priority 1	2	Our audit work includes areas that we consider have a medium organisational risk and potential impact.		
		Priority 2	4			
		Priority 3	0	The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.		
		Total	6			

Key Conclusions

	Through analysis of expenditure data, the contract register, and discussions with the Procurement team, we identified potential compliance concerns for 35 suppliers. This includes examples where procurement thresholds have been exceeded without known contracts being in place. This suggests that service areas lack awareness of procurement rules or do not systematically check their contract spend. This could expose the council to legal and reputational risk.	Audit Scope We reviewed the risk that non-compliance with the Contract Procurement Rules may expose the council to legal challenge, reputational harm, and failure to achieve value for money. This was an assurance review, and involved: <ul style="list-style-type: none"> Checking that policies and procedures link to the Procurement & Contract Procedures and that they are readily available to staff Analysing eFinancials transaction data and the contract register to identify any instances where the council may have breached procurement thresholds Sample testing recent procurements to determine whether they were compliant with the Procurement & Contract Procedures The audit focused on procurements that took place before the Procurement Act 2023 (PA2023) came into effect. We have not assessed arrangements for PA2023. The eFinancials transaction data covered the period 1 April 2023 to 23 February 2025. The samples comprised contracts that started between 1 April 2024 and 23 February 2025.
	Procurement was not consistently monitoring supplier spend to identify instances where the contract value or the legal procurement thresholds have been exceeded. The financial management system is not set up to record expenditure against specific contracts. This limits the monitoring Procurement can do. Procurement is developing a spend monitoring report to improve this.	
	Our sample testing indicates that procurement processes are not followed consistently. We identified a range of issues, including incorrect authorisation, failure to publish notices on Contracts Finder, and one contract that may require re-procurement. Analysis of the contract register shows there is common use of exemptions for contracts below the threshold where Procurement consultation is required (£100k).	
	There has been no regular procurement training for senior management or officers. This has likely contributed to the issues we found in this this review. The Procurement team has now held a training session for senior management, but officers also require training.	
	Procurement policies and procedures are easily accessible to staff. The council has experienced and knowledgeable procurement officers.	

Other Relevant Information

- The Procurement Manager has only recently been appointed and had, prior to this audit, identified several controls weaknesses. This audit has confirmed those weaknesses.
- PA2023 introduced the Procurement Review Unit, a new body that can inspect contracting authorities. A negative inspection could result in significant reputational damage.
- We added value in this review by obtaining information from SWAP partner councils about their minimum insurance requirements for suppliers and sharing this with Procurement.

Appendix C: Follow-up Reviews

Taxi Licensing – Follow-up Report – May 2025



Follow Up Audit Objective

To provide assurance that management has implemented agreed actions to mitigate the risk exposures found in the 2023/24 Taxi Licensing audit.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Not Agreed	Summary
Priority 1	2	0	0	0	2
Priority 2	11	0	0	0	11
Priority 3	0	0	0	0	0
Total	13	0	0	0	13

Follow Up Assessment

We conducted an assurance audit in 2023/24 to assess the effectiveness of the internal controls for the issuing of taxi licences, including policy and procedures, driver and vehicle checks, supporting documentation, security of the public, governance of the taxi licensing committee and complaints, investigations and enforcement. We found 13 weaknesses and provided Limited assurance.

In this follow up review, we have found that all 13 agreed actions have been completed. Our key findings are summarised below.

Key Findings



Since the original audit, the council has:

- Produced a comprehensive procedure manual for staff and provided training.
- Instructed staff on the evidence expected to be saved to support an application
- Made significant improvements in the evidence saved on to the Uniform system. This was confirmed through sample testing, which shows records of required checks, including DBS checks, had been kept for all of the sample.
- Introduced a new training course for drivers provided by an external company. This course combines disability awareness and safeguarding into one course, rather than two separate ones as previously. When attendees complete the training course, they now receive a certificate confirming this. For the sample we tested we found that that the drivers had all completed required training or have been booked onto the new course.

Further Information

We have performed testing and reviewed supporting evidence to confirm the council's progress in implementing all priority 1 and 2 actions. Our assessment of the priority 3 actions is based on self-assessment by the responsible officer.

Please refer to Appendix 1 for our detailed findings.

Appendix D: Monitoring of Agreed Actions



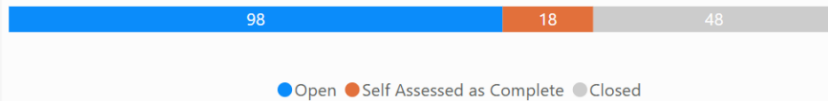
Open Management Actions

Closed actions based on a rolling 2 year period

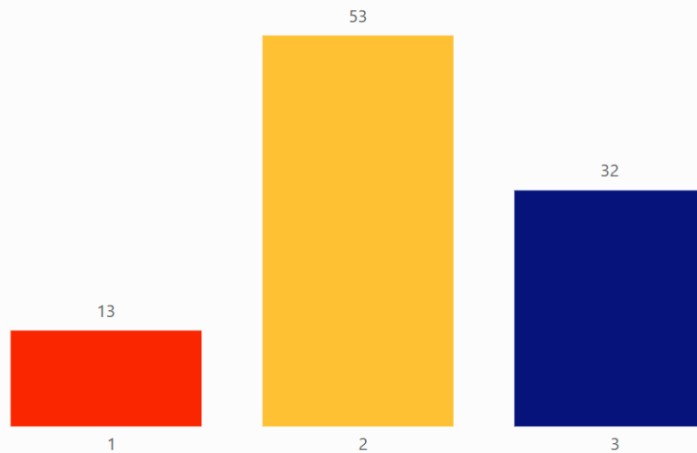


Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
83	9	(Blank)	1	1	4	98

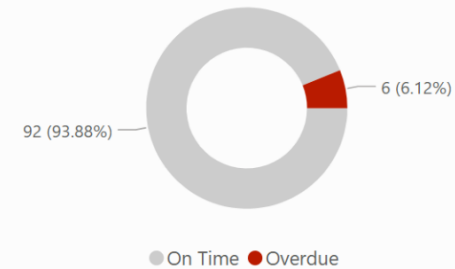
Actions by Status



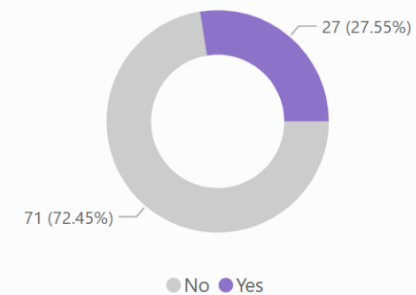
Open Actions by Priority



Overdue Open Actions



Open Actions with Extended Dates



Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Complete							
Assurance	Corporate Property Assets Maintenance & Capital Programme	Final	Limited	8	1	6	1
Assurance	Creditors	Final	Limited	7	0	4	3
Assurance	Waterways	Final	Reasonable	6	0	3	3
Assurance	Housing Benefit Decisions	Final	Reasonable	2	0	1	1
Assurance	Disabled Facilities Grant	Final	Substantial	2	0	1	1
Follow-up	CIL & S106 Agreements (22/23)	Final	N/A	All 13 agreed actions implemented			
Assurance	Governance Arrangements for CIL Receipts	Final	Limited	7	1	6	0
Assurance	Council Tax Arrears	Final	Limited	4	0	3	1
Assurance	NEW Occupational Health Services	Final	Limited	17	1	11	5
Advisory	Debt Management	Final	N/A	8	3	2	3
Follow-up	Trade Waste Income (23/24)	Complete	N/A	Action tracking complete			
Follow-up	Corporate Credit Card (23/24)	Complete	N/A	Action tracking complete			
Follow-up	VAT (23/24)	Complete	N/A	Action tracking complete			
Follow-up	Health & Safety Training (23/24)	Complete	N/A	Action tracking complete			
Grant	NEW Social Housing Decarbonisation Grant	Final	Certified				
Advisory	NFI	Complete	N/A	Initial support for this data matching exercise			

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Assurance	NEW Budget Management	Final	Reasonable	4	0	2	2
Assurance	Housing Revenue Account Repairs & Maintenance	Final	Limited	6	4	1	1
Assurance	Communication Strategy	Final	Limited	10	2	6	2
Assurance	Temporary Accommodation	Final	Limited	13	1	7	5
Assurance	NEW S106 Governance Arrangements	Final	Limited	9	1	3	5
Assurance	Procurement	Final	Limited	6	2	4	0
Follow-up	Taxi Licensing (23/24)	Final	N/A	All 13 agreed actions implemented			
Advisory	Fraud advice and support including confidential reporting	Final	N/A				
Reporting							
Assurance	Payroll – employee self service	Draft					
Deferred							
Assurance	People Management	Deferred	Request from SMB to defer as review currently ongoing. To schedule in 25/26. To replace with occupational health services .				
Assurance	Risk Management	Deferred	Request from SMB to defer as much work currently ongoing in this area. To schedule in 25/26. Replaced with budget management .				
Assurance	Contract Management	Deferred	Agreed with S151 to defer. Contract Management has received good coverage in recent years. Resources will focus on procurement in 24/25 given new regulations to be implemented in February.				

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Assurance	Net Zero/Climate Change	Deferred	Request from SMB to defer as audited regularly including recent audit in 23/24 (satisfactory assurance). Replaced with CIL audit.				
Assurance	Main Accounting	Deferred	Request to defer as delays to new system implementation.				
Assurance	Health and Safety	Deferred	Request to defer to 25/26.				
Proactive Fraud	Fraud Baseline Assessment	Deferred	Request to defer to Q1 25/26.				

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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 24 July 2025

Report of: Strategic Director Corporate Resources

Title: Limited Assurance Audit Reports

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 This report presents the recommendations and actions plans in relation to recent limited assurance audits and progress being made.

2. Recommendations:

- 2.1 That the Audit and Governance Committee note the content of the audit reports contained at Appendix 1-5 and the actions that will be taken in response to the recommendations.

3. Reasons for the recommendation:

- 3.1 To provide assurance to the Audit and Governance Committee that the council has plans to address audits with limited assurance and that progress is being made.

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

- 4.1 The Strategic Management Board has taken ownership of the recommendations contained in audits with limited assurances. Delivery of the agreed actions will result in resources implications, but this will be managed through Directorate work plans.

5. Section 151 Officer Comments:

- 5.1 Members should note the progress that has been made or actions agreed in relation to limited assurance audits. Progress will continue to be reported as the Council seeks to strengthen its Corporate Governance processes.

6. What are the legal aspects?

- 6.1 The Council 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. This is known as the Best Value duty. The duty requires the Council to make arrangements that ensure services are delivered in a cost-effective manner while

meeting the needs of the community. 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).

7. Monitoring Officer's Comments:

This report sets out the actions that will be taken in response to the recommendations of recent limited assurance audits. It is important that implementation of agreed action plans are closely monitored and reported back to Members to provide reassurance that improvements are being made.

8. Report Details:

8.1 Limited Assurance Definition

SWAP's definition of limited audit assurance is where the review identified significant gaps, weaknesses or instances of non-compliance. The system of governance, risk management and control require improvement to effectively manage risks to the achievement of objectives in the area audited.

8.2 Since the last progress report was presented to this Committee in March 2025, SWAP have finalised a further five audits with limited assurance, as follows:

- Housing Repairs
- Communication Strategy
- CIL and Section 106 Governance Arrangements
- Procurement – Compliance with Procurement and Contract Procedures
- Temporary Accommodation

8.3 Management have agreed action plans for each of the findings of the audits, please refer to Appendix 1, 2, 3, 4 and 5 respectively.

8.4 With regards to progress in relation to limited assurance audits reported to this committee previously, the agreed action plans will be monitored by SWAP and progress reported to management and to this committee as part of their regular update reports.

8.5 Housing Repairs Update

Significant progress has been made by the Housing Repairs team in addressing the findings raised in the Housing Repairs audit.

A new variation authorisation form and associated documented process has been drafted and has now been fully implemented.

Reports monitoring exclusions has been created and is reviewed regularly by the housing repairs management team and surveyors, a report on monthly spend is also shared with the surveyors to monitor exclusions further.

A full review of the Price Per Property, Price Per Void and associated Schedule of Rates is underway and we are working with Echelon regarding the outcome of this. A designated action plan has been devised to ensure that training is provided once the review has been completed – this is on track to complete in September 2025.

8.6 Communication Strategy Update

In November 2023, the council produced a Communications Strategy. The purpose of the Strategy is to support delivery of the council's strategic priorities and to ensure effective communication between the council, its customers and other stakeholders. An audit was undertaken to assess the steps the council is taking to deliver four Strategy themes.

In response to the audit the following actions have been taken:

- An update of Communications Privacy Notice
- The Social Media Policy and guidance has been reviewed and updated

Over the next quarter the following actions will be progressed:

- The development of a new Communications Strategy which will have a clear vision, objectives, roles and responsibilities for how communications activities will be delivered going forward. Measures of success will also be included.
- The approval of the updated Social Media Policy and Guidance
- Media training for Strategic Management and Members where this is required.

8.7 CIL and Section 106 Governance Arrangements

Following the Limited Assurance audits into the governance of CIL and Section 106 receipts, the required improvement actions have been combined into a single governance project with an implementation deadline of 31 December 2025. A Task and Finish Group has been established to develop a comprehensive governance framework covering both funding streams.

Although the formal implementation is still in development, several interim actions are already underway:

- A S106 Spend Working Group is monitoring at-risk contributions and assisting with the alignment of funds to deliverable projects.
- A review of historic commitments is ongoing, alongside improvements in data integrity within the Exacom system.
- Work is ongoing on enhancing quarterly reporting and improving stakeholder engagement, including Member input.

These interim measures are helping to strengthen transparency and accountability while the full governance framework is developed.

8.8 Procurement – Compliance with Procurement and Contract Procedures

The June 2025 Internal Audit specifically focused on corporate compliance with the Procurement and Contract Procedures at the request of the new Procurement Manager. The audit confirmed several areas of weakness. The following actions

have been taken to address the findings:

- Training has been provided to all heads of service covering the basic requirements of the Contract and Procedure rules. Training has also been provided to the leisure management and Asset Maintenance teams and further training will be offered to around 100 key members of staff. It is suspected that non-compliance with procurement rules is largely due to a lack of understanding of the procedures.
- Thirty-five potential breaches of the rules and/or legislation are being investigated by the procurement team and raised with relevant stakeholders where action is required to either ensure compliance or record the contract on the Council's Contracts Register.
- A draft Breach Procedure Note has been presented to SMB outlining how the team will introduce and record monthly random sampling of spend and escalate instances where non-compliance is suspected.
- Terms of Reference are being drafted for creation of a new Procurement and Contract Board. These will be presented to SMB for consideration in due course. The Board will support the monitoring of spend across the council to help ensure value for money and procurement compliance.
- Monthly spend reports are now being used to create a spend monitoring dashboard that will be used to help track spend on key contracts and identify off contract spend and opportunities to aggregate spend and achieve value for money.

Further consideration is being given to:

- Whether the new finance system can be configured to link contract spend to purchase order to enable officers to more effectively monitor contract spend.
- Whether the waivers sign off process requires modification for spend under £100k.

8.9 Temporary Accommodation

The audit was commissioned by the Strategic Director, People and Communities due to projected overspends indicating increased use of Temporary Accommodation, whilst this is a national issue the Director was keen to understand if there were any efficiencies that could be identified through improved contract management. The audit highlights significant issues in relation to contract management and policy and practise with regards to wider aspects of temporary accommodation. The Director has agreed a remedial action plan which is incorporated into the departments business plan and the newly appointed Interim Head of Service for Housing is accountable to the Director for delivering the action plan as set out in the report.

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

- 9.1 Remediation of audits with limited assurance contributes to the Council's purposes of a 'Well Run Council'.

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

- 10.1 Audits with limited assurance indicate areas considered to present an organisation risk and potential significant impact. Management agrees action plans with the auditors to mitigate and reduce risks.

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:

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

13. Are there any other options?

Not applicable

Strategic Director Corporate Resources

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

(01392) 265275

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Audit Findings & Management Action Plan - Month & Calendar Year

Finding	Actions																								
<p><u>The use of exclusions is increasing and now represents a third of orders placed</u></p> <p>The Council has over 4,000 Council owned houses within its portfolio of properties. In April 2021 the Council entered into a housing repairs contract, on a price per property (PPP) basis. A total amount is paid each year, based on the number of properties in the portfolio, to cover the cost of repairs. Any repairs not included in the contract are conducted as exclusions and are charged according to the schedule of rates or on a quotation basis.</p> <p>Our analysis has identified that the percentage of repairs carried out as exclusions, has increased in 24/25 from 30% to 36%. This has a significant negative impact on the budget. For information, we have included a summary of our data analysis findings as an appendix to this report (see Appendix 1).</p> <p>In 2023 the Council commissioned Echelon to review of the Price Per Property (PPP) contract with a focus on exclusions. A report of findings and recommendations for improvement was produced and several of the recommendations were relevant to improving the exclusion process. This included staff training to provide better understanding of the Price Per Property (PPP) contract, as well as improved job descriptions and review of categorisation of some works. However, the report’s recommendations have not yet been implemented. In relation to training, we have been advised by officers that training was identified and ready to action, however, the contractor and the Council have had some recent staff changes and are waiting for these to settle in first.</p>	<p>Echelon report to be reviewed and recommendations implemented as part of the wider review of the PPP and PPV. Training to be given to all staff after the review of the PPP/PPV has taken place. The variation order process will also be reviewed in this time.</p> <table><tr><td>Priority</td><td>1</td><td>SWAP Reference</td><td>AP#6090</td></tr><tr><td>Responsible Officer</td><td colspan="3">Mark Dale</td></tr><tr><td>Timescale</td><td colspan="3">30 September 2025</td></tr></table> <p>Reports monitoring exclusions to be created and reviewed regularly by the housing repairs management team</p> <table><tr><td>Priority</td><td>1</td><td>SWAP Reference</td><td>AP#6313</td></tr><tr><td>Responsible Officer</td><td colspan="3">Mark Dale</td></tr><tr><td>Timescale</td><td colspan="3">30 June 2025</td></tr></table>	Priority	1	SWAP Reference	AP#6090	Responsible Officer	Mark Dale			Timescale	30 September 2025			Priority	1	SWAP Reference	AP#6313	Responsible Officer	Mark Dale			Timescale	30 June 2025		
Priority	1	SWAP Reference	AP#6090																						
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Responsible Officer	Mark Dale																								
Timescale	30 June 2025																								

Finding	Action																								
<p><u>Assessment of original order value is not accurate</u></p> <p>The sample testing has identified that the original works order value raised, is often inaccurate. Our analysis found that as of November 2024, 3,427 exclusion repair jobs had been recorded and of those, 1,893 (55%) had exceeded the original order value, with a difference in value of £571,093. This indicates a weakness in identifying all of the works needed at the initial assessment stage. Of the 134 cases with additional work added, 16 had a logged value equalling £121.23, a further 44 cases had a logged value of less than £200, but all cases exceeded a final value of £1,500. This indicates that the original assessment of works required was not accurate. We have been advised by officers that this issue has been identified and is often caused by lack of training within the contractor’s triage team.</p>	<p>Processes will be implemented to improve triage of repairs, this will include an initial client inspection on some works. If further works are needed, the job will be closed and raised appropriately as minor works, if necessary. This will improve work in progress & the management of the variation process. This action will be incorporated in the PPP review.</p> <table><tr><td>Priority</td><td>1</td><td>SWAP Reference</td><td>AP#5852</td></tr><tr><td>Responsible Officer</td><td colspan="3">Mark Dale</td></tr><tr><td>Timescale</td><td colspan="3">30 June 2025</td></tr></table> <p>Responsive Repairs Limit to be reduced to £1000. This will provide greater control of authorising works & budgetary control. Monthly reports to be implemented and reviewed as above.</p> <table><tr><td>Priority</td><td>1</td><td>SWAP Reference</td><td>AP#6315</td></tr><tr><td>Responsible Officer</td><td colspan="3">Mark Dale</td></tr><tr><td>Timescale</td><td colspan="3">30 September 2025</td></tr></table>	Priority	1	SWAP Reference	AP#5852	Responsible Officer	Mark Dale			Timescale	30 June 2025			Priority	1	SWAP Reference	AP#6315	Responsible Officer	Mark Dale			Timescale	30 September 2025		
Priority	1	SWAP Reference	AP#5852																						
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Timescale	30 June 2025																								
Priority	1	SWAP Reference	AP#6315																						
Responsible Officer	Mark Dale																								
Timescale	30 September 2025																								

Finding	Action			
<p><u>Evidence to support quotation works not saved on the Open Housing system</u></p> <p>Within the sample testing of exclusions, we identified eight quotation repairs. Of those eight cases, we only found one case where a supporting quote had been saved on the Open Housing system. Without this information it is not possible to ascertain the details of the works, and it is unclear how this can be authorised without this information. We were advised by officers that a lot of the information is retained in surveyors email inboxes rather than on the Open Housing system.</p>	<p>Evidence supporting quotation works to be saved directly onto the Open Housing system. Work has already commenced to get quotes to auto save to EDRM from MCM.</p> <p>A documented process for authorisation to be drafted & saved on the intranet. Process to be shared with all staff.</p>			
	Priority	2	SWAP Reference	AP#5853
	Responsible Officer		Mark Dale	
	Timescale		30 June 2025	

Finding	Action			
<u>Common items charged as SOR that could be included in PPP contract</u> There are common items charged as SOR that we would expect to have been included in PPP contract e.g. <ul style="list-style-type: none">· Skirting board repairs/replacement· Tiling· Painting and decorating· Paving· Ducting	Common SORS to be evaluated as part of the PPP/PPV review and consideration given to the inclusion of these to the PPP/PPV within the core group. Preambles to be reviewed for SORS to establish what is and isn't covered within those regular SORS.			
	Priority	3	SWAP Reference	AP#5490
	Responsible Officer		Mark Dale	
	Timescale		30 June 2025	

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Audit Findings & Management Action Plan

Finding 1

The Communications Strategy does not set out a clear vision and the action the council needs to take to achieve this. There is no evidence that the Communications Strategy has been approved and endorsed by service and senior management, or that the Strategy was presented to Members for their consideration and approval.

The Communications Strategy does not set out what actions the council needs to take, and by when, to ensure the core communications objectives (supporting the corporate plan and Exeter Vision) are achieved. In addition, it does not set out how the achievement of these actions will be monitored and who will take responsibility for ensuring their delivery.

There is no evidence that the Communications Strategy has been approved and endorsed by service and senior management. Equally, there is no evidence that the Strategy was presented to Members for their consideration and approval.

Action

Revise the Communications Strategy to clearly outline the vision and specific actions required to achieve the core communications objectives in support of the corporate plan and Exeter Vision.

Implement a formal approval process involving service and senior management, as well as presenting the Strategy to the Portfolio Holder for Communications for their consideration and approval, where necessary.

Additionally, establish a framework for monitoring the achievement of actions and assign clear responsibilities for their delivery.

Priority	1	SWAP Reference	AP#5815
Responsible Officer	Executive Officer Manager & Communications Manager		
Timescale	31 st August 2025		

Finding 2

There is no privacy notice that covers the activities undertaken by the Communications Team.

The Communications Team is currently not covered by a specific privacy notice outlining the data processing activities undertaken. This gap in privacy notice coverage poses a risk of non-compliance with data protection regulations.

Action

Develop and implement a privacy notice specifically outlining the data processing activities undertaken by the Communications Team. Ensure that the notice complies with data protection regulations and communicate it effectively to relevant stakeholders.

Priority	1	SWAP Reference	AP#5927
Responsible Officer	Executive Office Manager		
Timescale	28 th February 2025		

Finding 3

There is no evidence that the council has monitored its progress against the achievement of the core communications objectives, following the creation of the Communications Strategy.

The council's Communications Strategy outlines its core communications objectives. However, there is a lack of documented evidence demonstrating regular monitoring of progress against these objectives. This raises concerns about the effectiveness of the Strategy's implementation and the council's ability to measure the success of its communications efforts.

Action

Develop a formal monitoring and reporting process to track progress against the core communications objectives outlined in the Strategy. This should include regular assessments, documentation of key milestones, and performance metrics to evaluate the effectiveness of the Communications Strategy.

Priority	2	SWAP Reference	AP#5846
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Responsible Officer	Executive Office Manager
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Timescale	31 st August 2025
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Finding 4

The Social Media Policy has not been reviewed since its creation in November 2023.

The Social Media Policy, created in November 2023, has not undergone any review or updates since its inception.

Some elements are missing from the Policy, e.g., monitoring the usage of social media accounts and when these could be closed, as well as the responsibilities of the administrators for service-run social media feeds. The Digital Lead has these changes in hand.

There is also no evidence that the policy has been approved by senior management.

Action

Initiate a comprehensive review of the Social Media Policy to identify and address any gaps or missing elements.

Incorporate provisions for monitoring social media account usage and define clear guidelines for administrators responsible for service-run social media feeds.

The updated policy should be approved by senior management and disseminated to all relevant personnel for awareness and compliance.

Priority	2	SWAP Reference	AP#5935
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Responsible Officer	Digital Lead
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Timescale	28 th February 2025
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Finding 5

There is no permanent storage folder for authorisations of new social media accounts.

There is currently no designated permanent storage folder for authorisations of new social media accounts. The lack of a dedicated storage location poses a risk to the security and proper documentation of the authorisation process.

Action

Create a designated permanent storage folder for the authorisation of new social media accounts. Ensure that all authorisations are documented, stored securely, and easily accessible for future reference and auditing purposes.

Priority	2	SWAP Reference	AP#5941
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Responsible Officer	Digital Lead
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Timescale	28 th February 2025
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Finding 6 <u>There are 29 social media accounts that have been inactive for over six months.</u> We have identified 29 social media accounts that have been inactive for more than six months. These dormant accounts pose a risk to the council's online presence and should be reviewed for potential consolidation or removal.	Action Carry out an exercise to review the inactive social media accounts with each responsible owner and assess their relevance to the council's strategic or service objectives. Consolidate or remove the dormant accounts to streamline and maintain an effective online presence. <table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td>AP#5991</td></tr><tr><td>Responsible Officer</td><td colspan="3">Digital Lead</td></tr><tr><td>Timescale</td><td colspan="3">30th April 2025</td></tr></table>	Priority	2	SWAP Reference	AP#5991	Responsible Officer	Digital Lead			Timescale	30 th April 2025		
Priority	2	SWAP Reference	AP#5991										
Responsible Officer	Digital Lead												
Timescale	30 th April 2025												
Finding 7 <u>Members have not received media training since November 2022.</u> Media training for Members has not been conducted since November 2022. Only eight of the current 39 Members attended the last training with only one Portfolio Holder and the Leader of the Council included within this number. This means that five portfolio holders have not received media training in the last three years. This training is essential to ensure that Members are equipped to effectively engage with the media and communicate on behalf of the council.	Action Schedule and conduct a comprehensive media training session for all Members, with mandatory attendance from portfolio holders and the Leader of the Council, to ensure they are equipped with the necessary skills to effectively engage with the media and represent the council. Refresher training will be provided to all Members on an annual basis. <table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td>AP#6015</td></tr><tr><td>Responsible Officer</td><td colspan="3">Communications Manager & Communications Officer</td></tr><tr><td>Timescale</td><td colspan="3">30th June 2025</td></tr></table>	Priority	2	SWAP Reference	AP#6015	Responsible Officer	Communications Manager & Communications Officer			Timescale	30 th June 2025		
Priority	2	SWAP Reference	AP#6015										
Responsible Officer	Communications Manager & Communications Officer												
Timescale	30 th June 2025												
Finding 8 <u>Senior management do not receive any formal media training.</u> Whilst it is usual for portfolio holders or the Leader of the Council to speak on behalf of the council, senior management can occasionally be expected to provide interviews, quotes or statements to the press. In our audit review, we have identified that senior management do not receive any formal media training. This raises potential concerns about their preparedness to handle media inquiries and public communication effectively.	Action Develop and implement a comprehensive media training program for senior management to equip them with the necessary skills and knowledge to effectively handle media inquiries and public communication. Regular refresher courses should also be scheduled to ensure continuous readiness. <table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td>AP#6019</td></tr><tr><td>Responsible Officer</td><td colspan="3">Communications Manager</td></tr><tr><td>Timescale</td><td colspan="3">30th June 2025</td></tr></table>	Priority	2	SWAP Reference	AP#6019	Responsible Officer	Communications Manager			Timescale	30 th June 2025		
Priority	2	SWAP Reference	AP#6019										
Responsible Officer	Communications Manager												
Timescale	30 th June 2025												

Finding 9 <u>The record of corporate social media accounts includes limited information.</u> The current record of social media accounts provides the name of the social media account, the approved users, the platform on which it has been set up and whether the account is dormant or active. Additional information could be added to provide a more comprehensive record, for example: <ul style="list-style-type: none">• Directorate• Purpose of the Account• Expected Outcomes• Date of Last Post• Authorising Manager	Action Enhance the record of social media accounts by including the additional details. This will provide a more comprehensive and informative record for effective oversight and management of social media activities. <table><tr><td>Priority</td><td>3</td><td>SWAP Reference</td><td>AP#6000</td></tr><tr><td>Responsible Officer</td><td colspan="3">Digital Lead</td></tr><tr><td>Timescale</td><td colspan="3">31st March 2025</td></tr></table>	Priority	3	SWAP Reference	AP#6000	Responsible Officer	Digital Lead			Timescale	31 st March 2025		
Priority	3	SWAP Reference	AP#6000										
Responsible Officer	Digital Lead												
Timescale	31 st March 2025												
Finding 10 <u>The council has not undertaken any surveys in recent years to gain feedback from the readers of Exeter Citizen on its effectiveness.</u> The council has not conducted any surveys in recent years to gather feedback from Exeter Citizen readers regarding the publication's effectiveness. This lack of feedback poses a risk in terms of understanding the publication's impact and meeting the needs of its audience.	Action Develop a comprehensive survey to gather feedback from Exeter Citizen readers on the publication's effectiveness. Utilise multiple channels, such as online platforms and printed materials, to reach a wide audience. Analyse the feedback to identify areas for improvement and ensure alignment with readers' needs and expectations. <table><tr><td>Priority</td><td>3</td><td>SWAP Reference</td><td>AP#6022</td></tr><tr><td>Responsible Officer</td><td colspan="3">Communications Manager</td></tr><tr><td>Timescale</td><td colspan="3">30th September 2025</td></tr></table>	Priority	3	SWAP Reference	AP#6022	Responsible Officer	Communications Manager			Timescale	30 th September 2025		
Priority	3	SWAP Reference	AP#6022										
Responsible Officer	Communications Manager												
Timescale	30 th September 2025												



Audit Findings & Management Action Plan

Finding 1.

There is no overarching governance framework for the comprehensive prioritisation of Community Infrastructure Levy (CIL) receipts

Although decisions on CIL expenditure are made through the democratic process, the absence of an overarching governance framework for the prioritisation of CIL receipts poses a risk of inconsistent decision-making and potential non-compliance with legislative requirements. The lack of a structured framework may also lead to ambiguity and lack of transparency in the allocation and expenditure of CIL funds.

Such a framework should include the following areas:

- Engagement with stakeholders: Internally and externally (strategic CIL: stakeholders, neighbourhood CIL: community)
- Application process, with key information requested to support the application
- Specific criteria that must be met
- Project scoring and prioritisation
- Panel with authority to make recommendations on CIL spend

The level of governance set out in the framework should be proportionate to the value of CIL funds granted.

Action

Develop and implement a comprehensive governance framework for the use of CIL receipts, outlining clear decision-making processes, compliance requirements, and expenditure guidelines. This framework should promote transparency, consistency, and accountability in the allocation and utilisation of CIL funds.

Priority	1	SWAP Reference	AP#5020
Responsible Officer	Assistant Service Lead (Local Plan)		
Timescale	31 August 2025		



Finding 2.

There is no one committee or panel with responsibility for assessing, recommending and monitoring project proposals funded from CIL receipts.

Currently, there is no dedicated committee or panel responsible for the assessment, recommendation and monitoring of project proposals funded by CIL receipts. The only funding that is decided by a panel is that awarded under city grants.

We were informed that there is an informal Member Working Party, whose main role included receiving and reaching judgements on requests for CIL spend, and to consider and prioritise CIL spend commitments.

The membership for the working party was only made up of Members from the lead party and it last met in November 2022. However, the Member Working Party was not constitutionally established and from the information provided by the council, there is little evidence that the Working Party operated as per its terms of reference.

Action

Establish a formal, dedicated cross-party panel to assess and monitor project proposals funded by CIL receipts. This panel would make recommendations on CIL expenditure to the Executive.

Clearly and formally define the responsibilities of this panel in a terms of reference which is in alignment with the CIL regulations and guidelines.

Priority	2	SWAP Reference	AP#5166
Responsible Officer	Assistant Service Lead (Local Plan)		
Timescale	31 August 2025		

Finding 3a.

There is no clear process or set of criteria for the identification, assessment and prioritisation of strategic infrastructure projects in terms of CIL expenditure.

There is no clear process or set of criteria for the identification, assessment and prioritisation (e.g. through a matrix) of strategic infrastructure projects. Having this in place would ensure that funding is only provided to projects that support development and growth in the city.

An appropriate CIL assessment prioritisation matrix should include:

- Strategic fit with corporate and local plan objectives.
- Relationship with strategic development impact
- A business plan
- Other sources of funding
- Partnership working
- Delivery time frames
- Risk.

Action

Develop and implement a comprehensive scheme identification, assessment and prioritisation process and set of criteria for strategic infrastructure and larger neighbourhood projects, including the creation of a scoring matrix to prioritise projects based on their alignment with development and growth objectives for the city.

Priority	2	SWAP Reference	AP#5170
Responsible Officer	Assistant Service Lead (Local Plan)		
Timescale	31 August 2025		



Finding 3b.

There is no clear process or set of criteria for the identification, assessment and prioritisation of larger neighbourhood CIL projects in terms of CIL expenditure.

Whilst the smaller organisations funded through the ward grants or city grants have to demonstrate their adherence to a set of criteria, there is no clear process or set of criteria for the identification, assessment and prioritisation (e.g. through a matrix) of larger neighbourhood CIL projects. Having this in place would ensure that funding is only provided to projects that support development and growth in the city.

An appropriate CIL assessment prioritisation matrix should include:

- Fit with corporate objectives.
- Relationship with local neighbourhood development impact
- A business plan
- Other sources of funding
- Partnership working
- Community engagement/local support
- Delivery time frames
- Risk

Greater understanding also needs to be developed in the local St James community regarding the availability of local CIL receipts. It is understood that the now disbanded St James Neighbourhood Forum made a local decision to pool neighbourhood CIL receipts into the city-wide CIL regime. This needs greater explanation locally.

Action

This is linked to Finding 3a. above, with the same action, responsible officer and timescale for completion.

Finding 4.

An expressions of interest form or application form is not required for all projects or schemes funded through CIL receipts.

We have observed that there is inconsistency in the requirement for an expressions of interest form or application form to be completed for projects or schemes funded through CIL receipts.

Whilst the smaller ward and city grants require an application form, the remainder of the projects funded through the Neighbourhood CIL, and those funded through the Strategic Infrastructure CIL, do not need to do this.

This affects the transparency and fairness of the process.

Action

The council should standardise the process for all projects and schemes funded through CIL receipts, by requiring completion of an expressions of interest or application form. Separate application forms could be established for higher cost, strategic infrastructure projects and smaller neighbourhood CIL projects to ensure process is proportionate to project value. This will ensure consistency, transparency, and fairness in the application process.

Priority	2	SWAP Reference	AP#5174
Responsible Officer	Assistant Service Lead (Local Plan)		
Timescale	31 August 2025		



Finding 5.

There is a lack of formal monitoring and reporting on projects funded through CIL receipts

Formal monitoring and reporting on projects funded through CIL receipts is lacking in some areas. This creates a gap in oversight and accountability for the use of these funds.

Some monitoring and evaluation has been introduced for the small grants funded through the Neighbourhood CIL. In addition, the requirement for progress reports to be provided was set out in the agreement with the Devon Community Foundation for the Wellbeing Exeter project and this is repeated in the new agreement with CoLab. However, the progress reports provided by the Devon Community Foundation did not clearly show an assessment of the achievement against the outcomes, as per the agreement.

The information on projects monitored through the capital programme and funded by CIL receipts is also lacking. Currently only spend is monitored and not the progress of the project itself.

Action

Implement a formal monitoring and reporting framework for all projects funded through CIL receipts. This should include regular progress reports that assess achievement against outcomes, and cover project progress, budget, risks, and issues. This should be proportionate to the value of the funding.

Ensure that this reporting is integrated into the council's governance structures for effective oversight and accountability.

Priority	2	SWAP Reference	AP#5173
Responsible Officer	Assistant Service Lead (Local Plan)		
Timescale	31 August 2025		

Finding 6.

The Exacom system is not fully utilised to monitor infrastructure spend and project delivery.

The council has recently implemented a system, called Exacom, which has the capability to store, monitor and manage developer contributions data, as well as infrastructure spend and project delivery information. Although Exacom is being used to monitor CIL and s106 contributions, it is not currently fully utilised to monitor project delivery.

There are currently some gaps in the financial data within the system; however, this requires considerable time and resource to input and keep up to date. The CIL admin fee could, however, be used to pay for this.

Action

1. Assess the gaps in financial data within the Exacom system and prioritise the data that needs to be input and updated.
2. Allocate resources to ensure the completion of inputting and updating the financial data in the Exacom system to fully utilise its capabilities.
3. Explore the possibility of utilising the CIL admin fee to support the effort of inputting and updating financial data in the Exacom system.

Priority	2	SWAP Reference	AP#5100
Responsible Officer	Assistant Service Lead (Local Plan)		
Timescale	31 August 2025		



Finding 7.

There is no full reconciliation undertaken between Exacom and efinancials for both CIL and s106 payments.

Although monitoring is undertaken to ensure raised invoices are paid, there is currently no comprehensive reconciliation process in place between Exacom and efinancials for CIL payments. This lack of reconciliation increases the risk of errors and discrepancies in the financial records. It is important to establish a robust reconciliation process to ensure the accuracy and integrity of the financial data related to these payments. This will also apply to s106 payments.

Action

Establish a formal reconciliation procedure between Exacom and efinancials for CIL payments. This should include regular reviews and cross-verification of records to mitigate the risk of errors and discrepancies. This will also be established for s106 payments.

Priority	2	SWAP Reference	AP#5014
Responsible Officer	Assistant Service Lead (Local Plan)		
Timescale	31 August 2025		

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Audit Findings & Management Action Plan – June 2025

Finding 1

Through analysis of expenditure data and discussion with the Procurement team, we identified potential compliance concerns for 35 suppliers.

We reviewed expenditure data for 2023/24 and 2024/25 (up to 23rd February 2025) to identify suppliers with whom the council has spent more than the goods and services procurement threshold (£213k). We then compared this to the contract register to identify possible compliance issues. Through this analysis and discussion with Procurement officers, we identified the following common areas of concern:

- There are 13 suppliers that have cumulative spend above procurement thresholds. 11 of these suppliers do not have known contracts. Some of these suppliers provide similar services (e.g. house adaptations) so there may be opportunities to procure contracts at organisational level.
- There are issues with 7 suppliers of homelessness services. There are challenges in procuring the homelessness services due to the council's dependence on government funding and there being limited markets. 6 of these suppliers are not included in the published contract register and have spend above procurement thresholds. Further issues are reported in the separate Temporary Accommodation audit.
- There are 5 suppliers with known contracts where expenditure has exceeded the procured contract value. If spend exceeds the procured contract value by more than 10%, the council may be required to re-procure the contract.

Action

The Head of Legal and Democratic Service will raise these issues with Senior Management Board (SMB). If these compliance issues are confirmed, Procurement and SMB will then take appropriate action to resolve the issues.

Priority	1	SWAP Reference	AP#6488
Responsible Officer	Head of Legal and Democratic Services		
Timescale	31 March 2026		

Finding 2

There are no processes in place to identify spend that does not comply with procurement rules.

At the beginning of the audit, Procurement was not consistently monitoring supplier spend to identify instances where the contract value or the legal procurement thresholds have been exceeded or conducting checks to identify examples of disaggregated spend by services areas to avoid compliance with procurement regulations.

This means there was no independent mechanism for identifying non-compliance that could expose the council to legal and reputational risk.

We analysed expenditure data for 2023/24 and 2024/25 (up to 23rd February 2025) and found that:

- Only 42% of supplier payments were linked to a purchase order
- Only 32% of supplier payments classified as Contract Payment were linked to a purchase order.

Action

The Procurement Manager is implementing a process to monitor spend to improve Procurement's ability to identify instances of non-compliance.

Procurement created a draft procedural note for reporting on breaches and spend sampling testing that was presented by the Section 151 Officer and the Monitoring Officer to SMB. Officers are considering what support is needed for managers before implementing this.

Currently there is no process in place to link purchase orders to contracts. The Head of Legal and Democratic Services will raise this with SMB for them to consider changes to the purchase order process.

Priority	1	SWAP Reference	AP#6513
Responsible Officer	Head of Legal and Democratic Services		
Timescale	31 March 2026		

Finding 3

The financial management system is not set up to allow officers to record expenditure against specific contracts

This means that the Procurement team cannot easily monitor compliance with contract values or procurement thresholds, as reported under AP#6513.

Officers told us that under the new Procurement Act there is a requirement for local authorities to publish specified information about any payment of more than £30k made under a public contract. Without effective systems and monitoring, the council will not be able to meet this requirement.

Action

The council is expecting to implement a new financial management system. The team responsible for implementing the new system have been informed of the new procurement reporting requirements.

The Head of Legal and Democratic Services will take the new procurement reporting specification requirements to SMB to get approval for the requirements to be included in the new system.

Priority	2	SWAP Reference	AP#6634
Responsible Officer	Head of Legal & Democratic Services		
Timescale	31 March 2026		

Finding 4

There has been no regular procurement training for senior management and officers.

It is a legal requirement for local authorities to comply with The Procurement Act 2023, which replaced the Public Contracts Regulations 2015. The Procurement Act 2023 also introduced a new body, the Procurement Review Unit, which has the power to inspect and issue statutory recommendations to local authorities.

There has been no regular procurement training for senior management or officers. Lack of knowledge, understanding and compliance with the regulations could result in the council being fined for breach of the regulations.

The Procurement Manager provided procurement training to Heads of Service on 8th May 2025 at their Operational Management Board meeting.

Action

The Procurement Manager will arrange for the training to be given to:

- Heads of Service who did not attend the initial session
- officers directly involved in the procurement of goods, services and works

Furthermore, the Procurement Manager is investigating how best to;

- introduce a process so that newly appointed Heads of Service and officers responsible for the procurement of goods, services and works receive procurement training promptly
- provide refresher training

Priority	2	SWAP Reference	AP#6502
Responsible Officer	Procurement Manager		
Timescale	31 March 2026		

Finding 5

Our sample testing indicates processes are not followed consistently.

We selected a sample of 5 contracts from the contract register (January 2025) and reviewed their compliance with council procedures, including value threshold and authorisation requirements. We only received information for 4 of the contracts, for which we found the following issues:

Contract Finder

The exemption contracts awarded to 2 of the contractors have not been published on Contract Finder.

Authorisations

The Business Case Endorsement for one of the contracts had not approved in accordance with procurement rules. It was signed by the Service Manager instead of the SMB Member and Portfolio Holder as required.

Raising purchase orders

One contract had a purchase order that did not comply with Financial Regulations because it was:

- Raised upon receipt of the contractor's invoice, meaning there was no commitment in the financial management system.
- Raised for the value of the invoice rather than the total contract value.

Contract Register

- An incorrect contract value has been entered for one contract.
- An incorrect contract type has been entered for one contract.
- The estimated tender value for one of the contracts has not been updated to reflect the actual tender value
- No contract end date has been entered for one contract

Exemption Register

One of the exemption contracts has not been recorded on the Exemption Register

Contract value exceeded no re-tender has taken place

The actual cost incurred for one of the contracts is currently 21% over the tendered cost. Further works have been identified, and additional budget has been requested. In accordance with Procurement regulations, the contract should have been referred to Procurement for approval to vary the contract.

Action

The Procurement Manager will arrange for the identified errors to be corrected where practical.

Procurement only sign off exemption contracts valued above £100k. For these contracts, Procurement will publish the required notices. However, below £100k, Heads of Service provide approval, and they are responsible for making sure Procurement is informed so Procurement can update Find a Tender. This has been incorporated into procurement training for senior management.

Procurement will review the authorisation process for procurements and waivers.

The Head of Service Legal and Democratic Services will ask SMB/Finance to issue a reminder to all e-Procurement users that purchase orders should be raised:

- at the point of engaging a supplier and not after the supplier has provided the goods/service/works
- for the whole value of the goods/service/works contract

The Procurement Manager has now sent out a request to service areas to provide information missing from the Contract Register. This information is not always provided upon request despite Procurement chasing it. Procurement will now escalate to Head of Service, Director, and Head of Legal & Democratic Services when information is not received.

The Procurement Manager will initially look at whether the population of information on the contract register can be improved. Over time, Procurement would like to digitalise as much of this process as possible, but this is a longer-term aspiration.

Procurement covered contract variations in the recent training session with Heads of Service, advising any variations needed should be discussed with Procurement. A further training session on this subject may be necessary though currently there are other topics where training is of a higher priority.

Priority	2	SWAP Reference	AP#6642
Responsible Officer	Head of Legal and Democratic Services		
Timescale	31 March 2026		

Finding 6

The waiver procedures do not clearly show when they need to be referred to Procurement. Data analysis suggests there is common use of exemptions.

Under current processes, Procurement has no involvement where the contract value is less than £100k.

We note that the waiver procedures do not clearly state that the Procurement team must only be consulted and authorise the exemption/waiver contracts where the estimated value exceeds £100k.

We analysed the January 2025 contract register entries for contracts starting in 2024/25. We noted that a high proportion (7 of 11) of contracts valued between £25k and £100k are stated as being exemptions. We have not had time to review this any further, but waivers/exemptions should only be granted in specified circumstances to ensure the council complies with procurement regulations and achieves value for money. The council should consider whether the £100k approval threshold is appropriate.

Action

The Procurement Manager advised that whilst the procedure notes are not specific, the Waiver Approval form clearly sets out the level of authorisation required.

The Head of Legal and Democratic Services and the Procurement Manager will consider whether the £100k threshold be reduced, and how Procurement's oversight of waivers can be strengthened. If changes are needed, the Head of Legal and Democratic Services will discuss this issue with SMB.

Once a decision has been made, any appropriate procedure/form will be amended accordingly.

Priority	2	SWAP Reference	AP#6775
Responsible Officer	Head of Legal and Democratic Services		
Timescale	31 March 2026		

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Audit Findings & Management Action Plan – May 2025

Finding 1

The council does not have agreed contracts for all temporary accommodation providers.

The council has formal arrangements with external providers that supply temporary accommodation. However, we found that for 5 of the 6 suppliers we reviewed, the council could not provide evidence of a current contract. Several of these arrangements have been in place for more than 10 years, with the oldest starting in 2007.

We found that none of these arrangements are listed in the ECC contract register, nor have they been subject to formal procurement, despite expenditure with these suppliers exceeding thresholds that require a formal procurement process and public disclosure. There is evidence that the Housing service sought waivers for some of these suppliers, however, the council's waiver register shows that these expired in 2022.

While we acknowledge there are challenges when procuring temporary accommodation, the council's approach should be compliant with council procurement regulations and the Procurement Act 2023.

Action

The Temporary Accommodation team is already engaging with the council Procurement lead and working with Legal Services to establish an arrangement that satisfies council regulations and the new Procurement Act.

The Head of Service Housing will put systems in place to ensure better management of contracts and procurement, and ensure the Temporary Accommodation team undertakes training on procurement policy and contract management with clear objectives set out in individual Performance and Development Reviews.

The Strategic Director is instigating a service review in 2025 that will address structural and capacity issues to improve commissioning and contract management, including reducing the overall number of contracts where reasonable.

Priority	1	SWAP Reference	AP#6392
Responsible Officer	Head of Service Housing		
Timescale	31 October 2025		

Finding 2

The council does not have an approved policy for allocating temporary accommodation.

ECC has published high level information about the amount and types of temporary accommodation available on its website. Although an internal document is available, ECC has not published a policy on allocating temporary accommodation, including criteria for prioritising applications, or determining suitability of accommodation, which has been discussed at Cabinet level, in line with recommended practices.

Action

The Head of Service Housing will draft an allocations policy covering temporary accommodation for approval by Senior Management Board (SMB). SMB will then decide which member body the policy will go to for approval.

Priority	2	SWAP Reference	AP#6425
Responsible Officer	Head of Service Housing		
Timescale	31 July 2025		

Finding 3	Action												
<u>There is no business continuity plan for the Temporary Accommodation team, and the risk register requires an update to reflect current details.</u>	As part of annual business planning the Head of Service will ensure that the Housing service produces a business continuity plan that includes recovery objectives for Locata. This will include an assessment of the administration of the system and whether it needs to be mainstreamed into the Strata contract in line with most business systems in the Council.												
Officers sent us the Housing Needs risk register dated June 2022. While this considers the risk of interruption at a high level, the Housing service has not produced a full business continuity plan.	The Business Plan will be produced in line with the new corporate template and will ensure any key strategic or operational risks are updated in the risk register.												
In addition, the disaster recovery time of the key Locata application, which is relied on to manage workflow, has not been recently checked.	<table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td>AP#6385</td></tr><tr><td>Responsible Officer</td><td colspan="3">Head of Service Housing</td></tr><tr><td>Timescale</td><td colspan="3">30 June 2025</td></tr></table>	Priority	2	SWAP Reference	AP#6385	Responsible Officer	Head of Service Housing			Timescale	30 June 2025		
Priority	2	SWAP Reference	AP#6385										
Responsible Officer	Head of Service Housing												
Timescale	30 June 2025												
Finding 4	Action												
<u>Strategic governance structures and reporting on homelessness and rough sleeping are still to be established.</u>	On 27 March 2025, the Strategic Director, Head of Service Housing, and Housing Solutions Lead updated the People Scrutiny meeting on targets set out in the Strategy, and where the service currently stands.												
The governance structures outlined in the Homelessness and Rough Sleeping Prevention Strategy (pp. 29-30) still need to be established, along with a commitment for 6 monthly progress reporting and action plan developments to be published.	The specific structures proposed in the 2023-2027 Strategy have not yet been set up. The proposed service review will address what governance structures are considered to be appropriate going forward.												
	<table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td>AP#6424</td></tr><tr><td>Responsible Officer</td><td colspan="3">Head of Service Housing</td></tr><tr><td>Timescale</td><td colspan="3">31 October 2025</td></tr></table>	Priority	2	SWAP Reference	AP#6424	Responsible Officer	Head of Service Housing			Timescale	31 October 2025		
Priority	2	SWAP Reference	AP#6424										
Responsible Officer	Head of Service Housing												
Timescale	31 October 2025												

Finding 5

The council has not established consistent processes for checking the health and safety compliance of third-party temporary accommodation providers.

In 2024, the council carried out provider visits to two HMOs operated by third party providers. The Housing service plans to extend this process to other third party operated properties.

We found the Housing service holds original compliance certificates (e.g. electricity, gas, legionella, fire risk, energy performance) for some, but not all, third party operated properties, and proactive follow up on identified areas of non-compliance was inconsistent. We have reported issues with specific providers to the Temporary Accommodation team.

Action

The Head of Service Housing will ensure the Temporary Accommodation Lead implements agreed improvements to the provider visit process.

The Housing service will determine a policy for obtaining and retaining compliance certificates and following up on any health and safety risks identified by certifiers. Housing will then apply this policy to all regularly used third-party providers.

Future provider contracts will include an obligation for providers to supply these documents, and the council will consider system options to retain these documents for each property.

Priority	2	SWAP Reference	AP#6393
Responsible Officer	Temporary Accommodation Lead		
Timescale	31 October 2025		

Finding 6

Processes for monitoring the health and safety compliance of council-owned properties used for temporary accommodation could be strengthened.

The Temporary Accommodation team conducts annual risk assessments of council-owned properties that are used for temporary accommodation. However, the council's Compliance team is responsible for ensuring these properties are safe.

We concluded that the Temporary Accommodation team's assessment process would be more effective if it involved inspecting original compliance certificates (including electrical, gas, legionella and fire risk) and ensuring there has been follow up action to address any matters arising. Testing revealed instances where high risks identified during inspections had taken several months to remediate. We have reported issues with specific properties to the Temporary Accommodation team.

There are weekly checks carried out on council-owned properties. We concluded that this process could be improved by including any regular tasks which are routinely required to address identified risks, such as legionella checks.

Compliance certificates are sent directly by the certifiers to the Compliance team, who commissions any required remediation works. However, there is no requirement for the Compliance team to share information about any issues identified with the Temporary Accommodation team, whose tenants live in the properties.

Action

The Head of Service Housing will ensure managers incorporate review of compliance certificates and follow up of remedial work into the annual risk assessment.

The weekly assessment checklist has already been updated to include damp and physical condition of the property. This will continue to be updated to include any other regular tasks which are routinely required to address risks in individual properties.

The Housing service will establish a protocol by which the Compliance team notifies the Temporary Accommodation team of any issues or remedial works affecting properties used for temporary accommodation.

The Housing service is following up to ensure any outstanding issues highlighted during audit fieldwork are remediated.

Priority	2	SWAP Reference	AP#6394
Responsible Officer	Temporary Accommodation Lead		
Timescale	31 October 2025		

Finding 7

Officers highlighted that the Temporary Accommodation team lacks the capacity to monitor and collect rents.

The Rental team no longer follows up on outstanding rent and service charges for temporary accommodation tenants.

The Temporary Accommodation team currently lack capacity to fully carry out the role alongside their statutory duties to relieve homelessness. There are additional modules available from Locata that could make the administrative aspects more manageable for whoever carries out the role going forward.

Action

With support from the Digital and Data Team the Head of Service will review business processes and productivity to identify effectiveness and changes in system, custom and practice to ensure the team has an unrelenting focus on monitoring and collecting rents.

Recruitment into the Income team is currently under way. Decisions about how additional resource will be allocated are still under consideration. The results of initial discussions and plans will be confirmed by the end of June.

Priority	2	SWAP Reference	AP#6386
Responsible Officer	Head of Service Housing		
Timescale	30 September 2025		

Finding 8

Temporary accommodation officers are not required to have DBS checks.

ECC case workers and third parties staffing properties used for temporary accommodation are required to have DBS checks. However, the visiting ECC Housing Officers are not.

Housing Officers work directly with potentially vulnerable adults, and may visit tenants in their homes, making it beneficial for them to also have DBS checks.

Action

The Housing service will consult HR and determine whether it is suitable to introduce DBS checks for officers who visit and work with temporary accommodation tenants.

Priority	2	SWAP Reference	AP#6391
Responsible Officer	Head of Service Housing		
Timescale	30 June 2025		

Finding 9

There is no detailed forecasting for temporary accommodation.

There is no formal detailed forecasting of overall available supply of TA which takes into account wider policy developments, local circumstances, the economy, and evolving demand for different property types. Good practice is to publish such a forecast annually.

For example, ECC does not have many units suitable for families, which is a growing demographic for temporary accommodation, resulting in splitting of families across available smaller units, giving rise to a risk of legal challenge on suitability.

Action

The Housing service will produce an annual forecast, which may highlight gaps in existing provision. This is expected this to form part of the ongoing review of services and accommodation. The Head of Service Housing will ensure this is included in the scoping document for the review, which is due by May.

Priority	3	SWAP Reference	AP#6427
Responsible Officer	Head of Service Housing		
Timescale	31 October 2025		

Finding 10

Temporary accommodation Key Performance Indicators (KPIs) do not have agreed targets.

While Housing uses KPIs to monitor temporary accommodation activity, no targets have been set.

While some KPIs are demand-led and are not locally controllable, others are controllable. Local targets could be used to monitor performance regarding national targets and those linked to other partners.

Action

The Head of Service Housing will introduce KPI targets as part of the new Corporate Performance Framework currently under development and due for completion in June 2025, following adoption of the new Corporate Plan currently out for public consultation, where reasonable to do so.

Priority	3	SWAP Reference	AP#6423
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Responsible Officer	Housing Solutions Lead
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Timescale	31 October 2025
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Finding 11

No main duty decisions are not formally signed off.

Decisions that ECC owes a main duty are reviewed by a senior officer and formally signed off. However, decisions that no main duty is owed are not subject to senior review.

Challenges on such decisions are often overturned after an internal independent review process. This could be reduced by requiring formal review and sign off of no main duty decisions.

Action

There is already informal consultation with seniors and peers about individual cases.

The Head of Service Housing will identify how to introduce formal sign-off of negative main duty decisions, as part of the review highlighted in response to finding 7 and will be considered as part of the ongoing wider service review.

Priority	3	SWAP Reference	AP#6387
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Responsible Officer	Housing Solutions Lead
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Timescale	31 October 2025
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Finding 12

Authority to approve use of ECC housing stock for temporary accommodation.

The authority for formally approving allocation of housing stock to temporary accommodation has not been explicitly defined, both at an overall level and for specific properties.

Action

The authority for approving allocation of housing stock to temporary accommodation, both at an overall level and specific properties, will be made explicit.

Priority	3	SWAP Reference	AP#6426
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Responsible Officer	Head of Service Housing
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Timescale	31 October 2025
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Finding 13	Action												
<p><u>There were some minor administrative issues in temporary accommodation cases we reviewed.</u></p> <p>These included:</p> <ul style="list-style-type: none">• one case where initial information collected was not documented and standard communications not produced for an extended period• one case where a personal housing plan was not produced; and• one case where a letter confirming the council did not owe a main duty was not retained <p>However, all of these issues predated the full implementation of the current system-supported workflow on Locata.</p>	<p>Going forward, records will be kept up to date, showing information gathered, and supporting decisions made, even if it is not appropriate to formally issue correspondence for any reason.</p> <p>The team is continuing to monitor and improve the workflow defined on Locata to ensure all required documentation is issued and retained as required. This automation has reduced the likelihood of administrative issues but will be reviewed with professional support from the Corporate Digital and Data team in line with actions described above.</p> <table><tr><td>Priority</td><td>3</td><td>SWAP Reference</td><td>AP#6388</td></tr><tr><td>Responsible Officer</td><td colspan="3">Housing Solutions Lead</td></tr><tr><td>Timescale</td><td colspan="3">30 September 2025</td></tr></table>	Priority	3	SWAP Reference	AP#6388	Responsible Officer	Housing Solutions Lead			Timescale	30 September 2025		
Priority	3	SWAP Reference	AP#6388										
Responsible Officer	Housing Solutions Lead												
Timescale	30 September 2025												

REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 24th July 2025

Report of: Strategic Director of Corporate Resources

Title: Review of the 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 Audit and Governance Committee is responsible for: i) considering the Corporate Risk Register and recommending its approval to Executive ii) monitoring effectiveness of risk management throughout the Council and progress made against the Corporate Risk Register actions.
- 1.2 This report advises the Audit and Governance Committee of the council's risk management progress and presents the revised Corporate Risk Register (Appendix A), which has been linked to the Council's Strategic Priorities.

2. Recommendations:

- 2.1 That the Audit and Governance Committee:
 - considers the council's Corporate Risk Register (Appendix A) and recommends its approval to Executive.

3. Reasons for the recommendation:

- 3.1 To ensure that the risks associated with meeting the Council's Strategic Priorities are properly considered, managed, and monitored.

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

4.1 The Executive, Strategic Directors and Heads of Service, as appropriate, are asked to review the Corporate Risk Register on a quarterly basis. The register is reviewed quarterly by the Strategic Management Board.

4.2 Any actions agreed to mitigate the risks identified in the Corporate Risk Register may result in some resource implication. These would be subject to a specific report and the resource implications would be considered in that report.

5. Section 151 Officer comments:

5.1 SMB and the Executive have produced the register based on the Council's Strategic Priorities. A summary page (Appendix B) has been added setting out the level of intervention required and the impact of failing to address the risk. The risk in relation to finance has been updated to reflect the fact that there is a significant shortfall again in 2026-27 and that we are early in the process. As a result, the risk has been raised and will be reviewed as we progress.

6. What are the legal aspects?

6.1 Risk Management is an essential management tool to manage, assess and prioritise risks. Members will note the content of this report and the updated Corporate Risk Register at Appendix A which identifies risks so that they can be understood and managed proactively.

7. Monitoring Officer's comments:

7.1 There is no specific regulatory requirement to keep a risk register. However, it is a standard way to monitor and assess risk. The risk register identifies the overall risks to the Council in order that this can be understood and managed proactively, optimising success by identifying and addressing risks.

8. Report details:

8.1 In response to a review of the Corporate Risk Register by the Council's insurers, Zurich, the Strategic Management Board agreed that the Corporate Risk Register should be presented to Executive to provide assurance that the appropriate mitigations are in place. The council's Audit & Governance Committee will continue to have a role in ensuring that the council has a robust process in place for identifying and mitigating risks.

8.2 Each risk is assessed against the following matrix, assessing the likelihood and impact before and after mitigation.

Likelihood ↑	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		Impact →			

8.3 The Risk Register includes a summary document (**Appendix B**), which enables Members to see the scope of the corporate risks in one straightforward table. This table is presented below for ease of reference.

Corporate Plan Alignment Area	Risk Description	Risk Scoring		
		Inherent	Residual	Target Date
Net Zero Carbon City	Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan	16	12	Apr-30
Healthy and Active City	Making progress towards a Healthy and Active City	12	6	Jun-25
Leading a Well-run Council	Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)	9	6	Mar-26
Leading a Well-run Council	Maintaining the Financial Sustainability of the Council	16	8	Feb-26
Leading a Well-run Council	Maintaining the Council's Property and Infrastructure Assets	16	12	Feb-26
Housing and Building Great Neighbourhoods	Delivering Housing and Building Great Neighbourhoods and Communities	16	16	Ongoing
Thriving Culture and Heritage	Maintaining a thriving Culture and Heritage sector	9	2	Jun-25
Prosperous Local Economy	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.	12	9	Mar-25
Leading a Well-run Council	Progressing the design and delivery of a corporate Customer and Digital Strategy	16	8	Mar-26

8.4 Alongside each risk on the summary page, there is a table, which sets out an assessment of the resources required to manage the risks under the themes of Time, Financial, People and Assets. This will allow for an assessment of the resources required to mitigate each risk to an acceptable level allowing members to determine if the resources required are deliverable and achievable.

8.5 In addition, the summary page includes an assessment of how the risks will affect a range of drivers.

8.6 The two tables use Very high, High, Medium, Low and Very Low to assess the resources required and the risk drivers.

8.7 The Final Column will assess the Council's risk appetite, whether it is open to risk, more cautious or even risk averse. These two tables help to inform the final risk scores presented in the register.

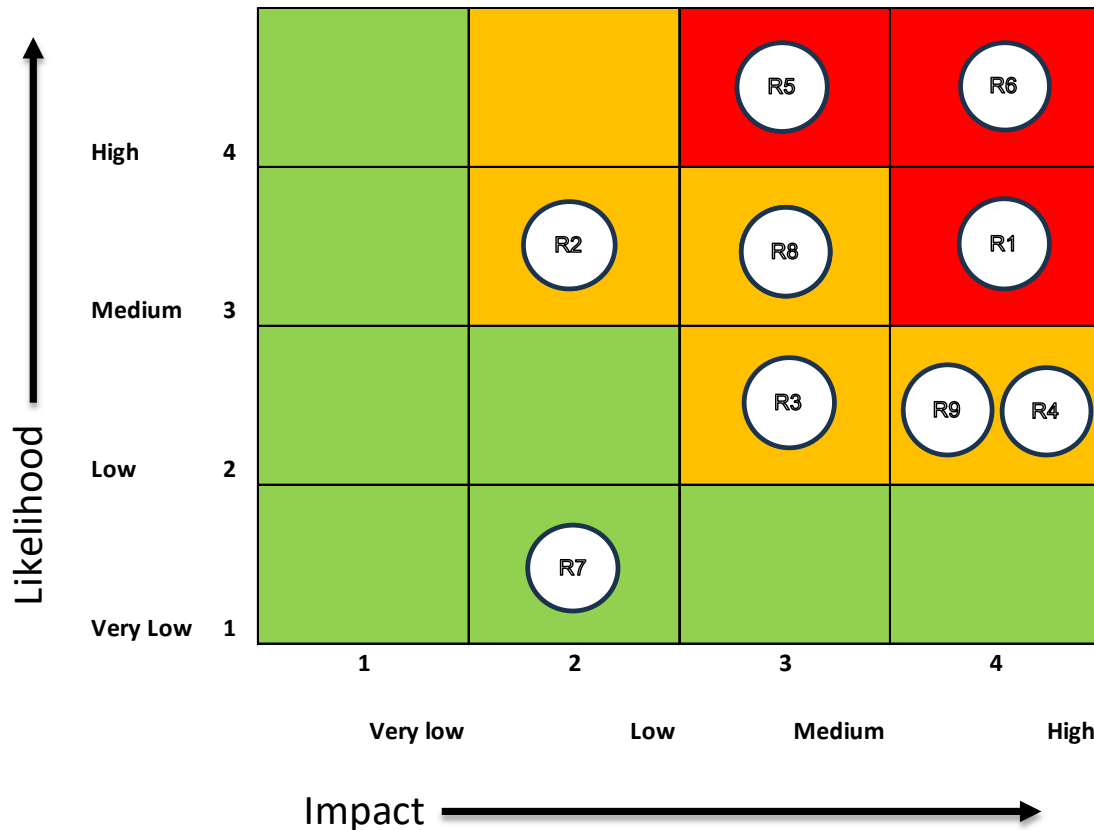
Further development of the Corporate Risk Register

8.8 The Strategic Management Board has been working with risk experts from the Council's insurers Zurich to review the current corporate risks. This work will continue alongside the work currently underway with Executive Members to review the council's Corporate Plan. Updates to the register will be reported to Audit and Governance Committee and Executive.

8.9 In response to a request from Audit and Governance Committee on 19th March 2025, the risk register will now track any changes in the risk score, as indicated in the final column, to illustrate whether risks are increasing, decreasing or remain the same.

8.10 In addition, a new Risk Heat Map has also been developed, shown below and attached as **Appendix C**, to visualise the risks which pose the greatest threat to the organisation, to help inform and prioritise mitigating actions.

Risk Heat Map



- R1 Net Zero Carbon City
- R2 Healthy and Active City
- R3 Leading a Well-run Council
- R4 Leading a Well-run Council
- R5 Leading a Well-run Council
- R6 Housing and Building Great Neighbourhoods
- R7 Thriving Culture and Heritage
- R8 Prosperous Local Economy
- R9 Leading a Well-run Council

8.11 A Risk Identification Workshop was held on 13th May, facilitated by Zurich, and attended by SMB and Heads of Service. Further training and support will be provided to officers and Members to help build resilience and ensure that emerging as well as existing strategic risks are kept under close review.

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 N/A

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 the report is for information only.

12. Carbon Footprint (Environmental) Implications:

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

12.2 Actions to mitigate the risks identified in the Corporate Risk Register may result in some future impact, however, any actions proposed would be subject to a specific report and the impacts would be considered in that report.

13. Are there any other options?

13.1 N/A

Strategic Director of Corporate Resources, Dave Hodgson

Author: Lorraine Betts, Executive Office 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 4.36

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Corporate Risk Register: June 2025

1.

Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan

Challenges:

- Greenhouse gas (GHG) emissions have trended slightly down over the past four years. Overall, GHG emissions have reduced by 39% (-300 kt CO2e) since 2008. This is mainly attributable to the power sector, which has seen a 69% reduction in emissions through the national decarbonisation of electricity production. A linear decline in emissions from the projected 2024 value to zero in 2030 requires an annual reduction of 74 kt CO2e, 16% of 2022 emissions, for each of the six years to 2030. This amount is 7.4 times the reduction rate of the current trend. (From Exeter's Greenhouse Gas Inventory Reporting 2022).
- Achieving the 2030 target relies on collective action from businesses and organisations across Exeter as well as from citizens (residents, commuters and visitors) alongside funding and investment from central government and other public/private bodies
- Limited resources available for city wide net zero activity.
- Cost of living challenges (for both businesses and residents) impacting the speed of change

Potential Impacts:

- Exeter does not meet its citywide target of becoming Net Zero.

Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Notes and monitoring	Target Date	Risk Tracking
		L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
November 2019 Updated June 2025	PH - Climate, Ecological Change & Communities Officer Lead: Strategic Director for Place	4	4	16	<p>A Climate and Nature Group has been established as part of The Exeter Partnership, bringing together representatives from organisations, businesses and community groups to work collaboratively together to deliver the Exeter Net Zero 2030 Plan. This group meets quarterly, and the June meeting focused on sustainable travel as transport emissions were the source of 23% of Exeter's greenhouse gas emissions in 2022.</p> <p>As part of the University of Exeter Civic University Agreement Exeter, sustainability leads are working collaboratively together with a focus on active and sustainable travel exploring joint opportunities and activities.</p> <p>Exeter City Council is an active member of the Devon Climate Emergency coalition.</p> <p>A project is being developed to promote the connection between Exeter train stations and the Exeter Green Circle walking project.</p> <p>A walking and cycling infrastructure scheme is being developed in Newtown (Triangle car park).</p> <p>Other activities that have taken place include supporting the planting of a micro forest at a primary school, attending the Green Skills Advisory Panel summits and engaging with the Civic University Agreement community panel.</p> <p>The Exeter City Council internal carbon net zero plan is now the subject of a separate risk register presented half yearly to the Audit & Governance Committee by the Project Manager for Net Zero</p>	3	4	12	<p>June 2025 there was an All Member Presentation and a Planning Member Working Group presentation on the proposed rollout of District Heat across the City Centre.</p> <p>A final decision on the disposal of Grace Road Field will be made once the 1Energy planning application on the build of the proposed Energy Centre has been determined.</p> <p>A report was presented to Council on 10 June titled 'Generating income to fund Net Zero activity' which recommended "The net income generated will provide an ongoing budget to fund the net zero team and its activities at the Council." The recommendation was passed.</p>	Apr-30	

Corporate Risk Register: June 2025

Page 158

2. Making progress towards a Healthy and Active City											
Challenges: <ul style="list-style-type: none">Entrenched health inequalities in priority neighbourhoods.Cost of living crisis impacting on the ability of people to participate in paid for sport and physical activity including membership/fees at council leisure centres.Securing long term funding for Wellbeing Exeter with its proven ability to positively enable sustainable increases in physical activity amongst communities facing the biggest barriers and poorest health outcomes.Rising energy, maintenance and staffing costs of leisure centres.Achieving a balance between membership and running costs of leisure centres to achieve the Council ambition of providing a high-quality leisure service accessible and relevant to individuals and families on low incomes and culturally diverse communities.Delivering planned financial and operational outcomes of St Sidwell's Point Swimming Pool and Leisure Centre.Securing capital and revenue funding for the plan to create a Community Health and Wellbeing Hub at Wonford. Potential Impacts <ul style="list-style-type: none">Inability to achieve the strategic ambition of maintaining high-quality, city-wide, cost neutral built leisure facilities.Increasing subsidies for leisure services impacting on other service provision.Closure of some leisure centres reducing access to facilities for current users.Wellbeing Exeter closes and systemic asset-based community development across priority neighbourhoods ends, and vulnerable communities feel let down by the council.											
Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Notes and monitoring	Target Date	Risk Tracking
		L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
May 2023 Updated June 2025	Portfolio Holder for Leisure and Physical Activity. Officer Leads: Strategic Director, People & Communities and Strategic Director for Place.	4	3	12	Wellbeing Exeter Case for Change published in 2023 with a more targeted and flexible model. Funding secured for 24/25 through a combination of Sport England Grant and ECC Neighbourhood CIL funding. Successful implementation of new operating model for leisure reducing management and staffing costs resulting in reduction of deficit(subsidy) to @ £1.2m Marketing of ECC leisure membership delivering increases in membership @11,000. Now reached 12,000.	3	2	6	Further review of culture and leisure operating models to be undertaken during 2025 by Head of Service. Public consultation completed in May 2025 on the potential closure of NSP – briefing doc and EQIA completed. Working with Asset Maintenance and public realm to determine a solution which will deter travelling communities from gaining access to the car park situated at Exeter Arena / Isca sites Further funding from Sport England confirmed to 2027 through a new Place Partnership. This will support ongoing programmes for Live & Move, Wellbeing Exeter and Active Travel. Capital funding application to Sport England submitted for Wonford Community & Wellbeing Hub. Planning application was approved in February. Match funding agreed for Wellbeing Exeter for 25/26/ and 26/27 at November 5 th Executive. Consultation on future use of Neighbourhood CIL, which currently funds the ECC contribution to Wellbeing Exeter to March 2027 to be undertaken by end of 25/26 financial year. Public consultation on the Newtown Community Transformation scheme was completed in February. Following an evaluation a report on next steps will be presented at Strategic Scrutiny. Officers are reviewing the ExeCard discount scheme for Leisure Services, for roll out during July 2025	June 2025	➔
3. Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)											

Corporate Risk Register: June 2025

Challenges: AI, robotics and digitisation technologies require acquisition of new knowledge, skills and competencies and with an aging workforce whose demographics is not reflective of the diversity of the city's population; some national shortages of some professional roles and a growing trend to more remote and hybrid working the council needs a new approach to workforce development, recruitment and retention.											
Potential Impacts: <ul style="list-style-type: none"> Workforce and service delivery models not meeting the needs of customers leading to poor outcomes and inefficient, unaffordable services. High levels of agency and consultancy spending. Low staff morale and poor recruitment and retention Loss of reputation of the Council 											
Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Notes and monitoring	Target Date	Risk Tracking
		L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
August 2024	Deputy Leader,	3	3	9	Market supplement scheme in place	2	3	6	Strategic Director appointed with responsibility for OD, HR and customer and digital transformation.	March 2026	➔
June 2025 No change	Officer Lead: Strategic Director, People and Communities				Apprenticeship opportunities for new and existing staff Senior Leadership restructure created new Strategic Director for People A review of pay structure will be completed by December 2024. External review of HR and OD functions and a mini-Peer Review into Equality, Diversity and Inclusion both completed by June 2024 providing a clear route map for organisational transformation a route map for total transformation Recommendations are being taken forward into a transformation plan: outcomes will include a new operating mode for HR and OD functions better aligned to supporting the business needs and leading on policy and people development. Improved management information to enable effective performance monitoring on a wide range of people data, mandatory training and team and staff performance. A workforce development strategy underpinned by a skills audit and analysis to enable succession planning and future recruitment, retention and training strategies.				A new permanent Head of Service HR and OD started 24/2 2025. Current Interim Head supporting induction and handover of HR Improvement Plan until 31/3/2025. Delivery of HR Improvement Plan key objective for new HoS and all actions progressing and milestones being achieved. Successful negotiations with Strata completed to bring forward replacement of current ITrent (HR and payroll system) with enhanced cloud-based functionality agreed to underpin HR and OD transformation programme. Funding agreed in budget to deliver this work in 25/26. Technical review of ITrent completed and set of recommendations currently being costed with the aim of a joint improvement plan being delivered in q1 25/26. Project has now started due for completion by March 2026 Proposed review of pay structure abandoned as mini review on critical roles offered no evidence that this impacts on recruitment and in the light of Devolution/ LGR White paper.		
4.	Maintaining the Financial Sustainability of the Council										

Corporate Risk Register: June 2025

<p>Challenges:</p> <ul style="list-style-type: none"> - Inability to deliver £6.7m savings target over four year period (to 2028-29); - Inability to obtain and maintain Business Rates income at levels currently generated; - Policy, regulatory or legislative changes which are not fully funded from central govt; - Impact of high inflation, high interest rates and other external economic factors; - Potential for Local Government Finance redistribution (including a reset of Business Rates); <p>Potential Impacts:</p> <ul style="list-style-type: none"> - Significant reductions required to Statutory Services, which become unable to function legally; - Unable to balance budget, Government intervention required; - Larger than anticipated reductions (in year or over longer term). - Reduction in reserves below minimum level; - Impacts on council services and therefore resident outcomes. 											
Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Notes and monitoring	Target Date	Risk Tracking
		L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
January 2018 June 25: Updated by Strategic Director	Leader of the Council Officer Lead: Strategic Director Corporate Resources	4	4	16	Detailed MTFP assessed and agreed with Members; - Funding reform consultation now underway; - Significant reductions over the next few years as a result of Business Rates reset; - Work in early stages to formulate proposals; - Significant investment in city centre regeneration; - Appropriate level of unringfenced general fund reserves to protect against shocks; - Identify and bid for alternative sources of funding; - Lobby government for relaxation of council tax increase restrictions.	3	4	12	June-26 2026-27 Budget process underway; Significant reductions required again as a result of the Government decision to reset Business Rates funding; Timetable drafted; Minimum Reserves approved.	Feb-26	↑

Corporate Risk Register: June 2025

5.

Maintaining the Council's Property and Infrastructure Assets

Challenges:

- Council owns 100 operational properties and 600 Commercial Properties as well as 28 Bridges, 50 Parks, 90 Play Areas Footpaths, Highways, walls and a River, Canal and other watercourses
- 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
- Additional Borrowing adds pressure to the financial stability of the Council.

Potential impacts:

- Increased costs to Council
- Sheer number of assets extremely high for a District Council, potential to cause significant financial harm
- 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.

Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Notes and monitoring	Target Date	Risk Tracking
		L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
August 2021	Leader of the Council	4	4	16	<ul style="list-style-type: none">• Consider Programme of Asset rationalisation, where maintenance costs are uneconomic;• Identify alternative sources of funding to reduce reliance on borrowing;• Commercial Properties mainly let on a full repairing lease basis• Reviewed existing capital programme to defer and remove schemes.• Change of emphasis to internally borrow in the short term to offset interest rate rises.	4	3	12	The two property maintenance teams have now been merged under one Head of Service. This will allow a review of resources to take place and the sharing of good practice.	Feb 26	➔
June 2025 No Change	Officer Lead: Strategic Director Operations /Strategic Director Corporate Resources								Significant review of assets condition being undertaken and a review of both Asset Management Plans will take place (GF & HRA). Stock condition surveys have commenced which will report into the Asset Management Plan which is currently being scoped. A review of compliance for all corporate buildings (non HRA) is underway. New approaches to GF Maintenance being explored including detailed viability assessments. Head of Commercial Assets appointed and prioritising proposals to dispose of some costly. uneconomic properties.		

Corporate Risk Register: June 2025

6.

Delivering Housing and Building Great Neighbourhoods and Communities

Challenges:

- brownfield first approach is the most sustainable option, and aligns with government policy but most sites are currently unviable, and developers are unwilling to invest, resulting in sites being stalled
- inadequate infrastructure funding for brownfield land regeneration
- lack of specialist staff resources to support the work
- inability to address complex land assembly and infrastructure challenges
- significant abnormal costs associated with this type of programme
- low land/property values and lack of investment appetite (especially BtR sector)
- Significant local community opposition to development

Potential impacts:

- significant loss of income to fund services/infrastructure (CIL; S106; NHB; Council Tax; Business Rates) and inability to secure external funding from government
- increased traffic congestion and net-zero not achieved by 2030
- Exeter Plan found unsound resulting in city housing needs not being met and exacerbating the Devon Housing Crisis, especially in terms of affordable housing; lack of 5-year housing supply resulting in loss of planning control/sub-optimal development and loss of green space/special characteristics of Exeter.
- new neighbourhoods not created, existing communities become unbalanced and suffer from lack of infrastructure/services, and economy of the city is stalled
- active travel and accessible city aspirations not met
- unsustainable development and new homes do not meet Garden City principles
- housing built on greenfield sites

Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Notes and monitoring	Target Date	Risk Tracking
		L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			

Corporate Risk Register: June 2025

November 2021	Leader of the Council	4	4	16	Access to government funding programmes (Brownfield Land Release Fund; Garden Communities; One Public Estate; New Development Corporations Competition Fund) is supporting Liveable Exeter and Council Owned Building projects - Project management capacity brought in - Preparation of business cases, feasibility studies, development frameworks for strategic sites (E.g. Marsh Barton, Southgate, Water Lane, red Cow & City Point) - Acquiring land and property using CPO powers and dispose of land to enable infrastructure. - Use of CIL and S106 funding to support infrastructure provision. - Through the Exeter Design Quality Partnership adopt an enabling and collaborative culture with developers and landowners, instilling confidence in the planning process. - Enhanced Member Training to improve quality of decision making in planning. - Exeter Place Partnership established to bring together the city's institutions to take ownership of the city vision and aspirations and to work collectively on obstacles to delivery.	4	4	16	A preferred bidder to develop Mary Arches car park has been approved, and pre-application discussions on a residential development have commenced. Bids to develop Clifton Hill have been received and evaluated. The Executive/Council will decide on a preferred bidder in the Spring. The Council Owned Building programme providing new council houses for tenants is continuing with Hamlin Gardens due completed and occupied and Vaughan Road (Phase 1) due for completion in the summer. Consultation on the Exeter Plan publication version (Regulation 19) ended in January, and the plan including all representations will be sent to the Planning Inspectorate for Examination in September. An outline planning application for Water Lane (South), comprising over 1,000 homes has been approved, subject to a S106 agreement. Officers will be commissioning a new study looking at delivery options for the City Point site. The City Council hosted a Developers Forum in the Guildhall in January, as part of the EDQP. The City Council continues to promote design excellence and neighbourhood integration through the Liveable Exeter Placemaking Charter and Exeter Design Quality Partnership, with consistent use of design review for major schemes. Viability challenges continue to affect the delivery of affordable housing, as evidenced by recent committee decisions. These are being managed through the use of updated appraisals and professional viability review.	On going	➔
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7. Maintaining a thriving Culture and Heritage sector

Potential Causes:

- A need to balance cultural ambition with the national funding picture and local financial challenges
 - A need to support Visit Exeter as a vital mechanism for promotion of events, business and cultural offer.
- Ensuring culture is relevant to all of Exeter's communities

Potential Impacts:

- Loss of NPO funding
- Loss of wider impact of cultural regeneration of the city.
- Inability to support night time economy
- Inability to support cultural sector
- Inability to deliver services including RAMM, Corn Exchange, Red Coats, Custom House, Underground Passages, Box Office
- Non-renewal of UNESCO status
- Reputational impact locally, nationally and internationally

Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Notes and monitoring	Target Date	Risk Tracking
		L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			

Corporate Risk Register: June 2025

May 2023	Deputy Leader	3	3	9	Strong relationship with Arts Council England and stakeholders.	1	2	2	<p>A review of Cultural Services, starting with the RAMM is now underway, recommendations due July 2025. The scope for the new Cultural Strategy for the city to be discussed with key partners and stakeholders during next quarter, leading to work commencing to draft a new strategy and undertake consultation, following publication of the Council's new Corporate Plan.</p> <p>Funding is now agreed until 2027 (extension year has been granted, 2026-27).</p> <p>Additional NPO extension year now offered for 2027-28, application being developed.</p> <p>'The requirement for capital investment in our heritage and cultural assets' Officers working on an approach to the National Heritage Lottery Fund (Historic Guildhall) and Arts Council England (Corn Exchange) for expressions of interest for major external funding projects.</p> <p>The Historic Places Panel (HPP) visited Exeter in September 2024 and published a comprehensive review in January 2025. The report recognises the city's strong heritage base and offers recommendations to support heritage-led regeneration and cultural placemaking.</p> <p>City Development continues to support these aims through engagement with Historic England, particularly regarding the future of key strategic sites and the management of city wall heritage. Officers are liaising with the Head of Culture and Leisure to ensure that emerging cultural strategy work reflects the recommendations of the HPP, including promoting Exeter's UNESCO City of Literature status.</p> <p>Conservation efforts are supported by a dedicated conservation officer and recent heritage impact work associated with the Exeter Plan.</p>	June 2025	➔
Updated June 2025	Officer Lead: Strategic Director for Place				<p>New five-year Cultural Strategy being developed with tangible deliveries.</p> <p>Significant cultural assets owned and run by the cultural sector.</p> <p>UNESCO City of Literature status awarded and monitored.</p> <p>Funding agreed with ACE until 2026 with Exeter's National Portfolio Organisations</p>						

Corporate Risk Register: June 2025

8Delivering against the key challenges in the ‘Prosperous Local Economy’ section of the Corporate Plan.											
<p>Key challenges:</p> <ul style="list-style-type: none">• Retention and recruitment, with some difficult-to-fill vacancies, which is stifling business growth.• A rise in residents becoming economically inactive, particularly those in the 50+ age groups.• Matching the learning and skills opportunities for residents with current and future job opportunities.• Low levels of graduate retention from the University of Exeter.• Levels of aspiration amongst our young people and limited awareness of opportunities.• If there is an unsuccessful InExeter BID vote November 2024, its impact on the city centre business community.• Following previous budget reductions and the discretionary services review implemented in April 2023, there is no longer an economic development service or skills function. There are no officer resource or budget to progress this corporate priority. <p>Potential Impacts:</p> <ul style="list-style-type: none">• Exeter’s economic base is weakened.• A rise in Universal Credit claimants Residents of Exeter.• A slowdown of businesses opening up and surviving in Exeter.• Vacancy rates in the city centre increase.• The look and feel of the city centre declines.											
Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Notes and monitoring	Target Date	Risk Tracking
		L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
May 2023	Deputy Leader	3	4	12	Partnership work with the University and Exeter College to take on more of a leading role in this area.	3	3	9	Initial engagement with businesses and members on a new City Centre Strategy, undertaken in July and November 2024. InExeter BID vote was successful. SMB exploring the scope for an Economic Growth Prospectus for Exeter. Joint working with the University to boost innovation in the city. A one-year extension to the UKPSF funding programme will be administered by the DT CCA, with funding allocations for existing projects awaited.	Mar 25	➔
June 2025 No change	Officer Lead: Strategic Director for Place				New focus on the city centre economy. Close working with InExeter and other key partners, especially in relation to the city centre. Projects delivered through UKSPF to support people gaining news skills, the business community and new business start-ups.						

Corporate Risk Register: June 2025

9 Progressing the design and delivery of a corporate Customer and Digital Strategy											
Challenges: <ul style="list-style-type: none"> Digital technology continues to change the way people live, connect and work and this shift has been expedited by the Covid-19 pandemic. Digital technology continues to evolve at a rapid pace and for many have become an essential part of everyday life. People expect easy access to joined-up information and efficient, secure services in the palm of our hand; increasingly expecting to interact with organisations wherever they like, whenever they like, on whichever device they have and on whatever channel they choose. With customer behaviour changing faster than ever, the task of digital transformation demands significant changes to people, processes and technology. Our key challenges are the pace and scale of transformation needed in business processes; functional and organisational structures; culture; skills and resources within the Council and within and between Strata and our partner councils. We are currently lagging many other Councils in our development of digital services and how we engage with our customers to improve and develop them. We have identified this as a priority to address in the One Exeter programme. Potential Impacts: <ul style="list-style-type: none"> Failure to agree and implement the required level of organisational change will impact on the ability of the Council to deliver a balanced MTFP which requires transformational change in how services are delivered. Workforce and service delivery models not meeting the needs of customers leading to poor outcomes and inefficient, unaffordable services. High levels of agency and consultancy spending. Low staff morale and poor recruitment and retention Loss of reputation of the Council <p>April 2024: New risk: Cyber Security: There is increased global concern about the use of AI and emerging technologies for malign purposes. Whilst there are no specific new threats nationally or regionally in relation to Local Government and we have no specific concerns about current systems and processes, Strata Directors have requested the company to undertake a risk awareness and management workshop with the Directors of all 3 Councils to provide assurances that there is sufficient capability and capacity to understand and mitigate risks and respond should a “never event” occur. This process is due to complete in October 2024 and until this process has been completed and assurances /action plans adopted this issue will remain on the Corporate Risk Register.</p>											
Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Notes and monitoring	Target Date	Risk Tracking
		L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
May 2023 June 2025 updated by Strategic Director	Leader of the Council Officer Lead: Director for People and Communities	4	4	16	<p>Improved control of ICT Business Change Requests resulting in better use of valuable Strata resources.</p> <p>Customer Digital Strategy approved by Council in November 2023 sets clear direction around 10 outcome goals.</p> <p>June 2024 successful implementation and roll out of Microsoft 365 and the uses of Teams for improved communication and collaboration. New member SharePoint site designed and delivered.</p> <p>One Exeter a single integrated transformation programme across the Council, with strong leadership from SMB and the Extended Leadership Team, refocused on fewer but more strategic organisational change programmes.</p>	2	4	8	<p>New Telephony System under implementation foundations for delivery of CDS in place. Report on progress to date has been considered by Executive along with a detailed delivery plan for 25/26.</p> <p>are in delivery with a suite of service level operational projects being delivered within the council. Strata enabler projects milestones reviewed by Client Leads on a monthly basis.</p> <p>Due to new Cyber Security risk, a Gov Cyber Assessment Framework has been completed whilst we await the formal outcome report, informal feedback indicates good preparedness in the council and through Strata.</p> <p>Outcomes from phishing exercise have been evaluated and targeted staff have been required to undertaken additional training.</p> <p>Strata continue to roll out system updates to ensure on-going security with more line of business being transferred to the “cloud” with the ability for continuous security updates.</p>	Mar-26	➔

Corporate Risk Register – Summary

APPENDIX B

Corporate Plan Alignment Area	Risk Description	Risk Scoring		
		Inherent	Residual	Target Date
Net Zero Carbon City	Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan	16	12	Apr-30
Healthy and Active City	Making progress towards a Healthy and Active City	12	6	Jun-25
Leading a Well-run Council	Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)	9	6	Mar-26
Leading a Well-run Council	Maintaining the Financial Sustainability of the Council	16	12	Feb-26
Leading a Well-run Council	Maintaining the Council's Property and Infrastructure Assets	16	12	Feb-26
Housing and Building Great Neighbourhoods	Delivering Housing and Building Great Neighbourhoods and Communities	16	16	On going
Thriving Culture and Heritage	Maintaining a thriving Culture and Heritage sector	9	2	Jun 25
Prosperous Local Economy	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.	12	9	Mar 25
Leading a Well-run Council	Progressing the design and delivery of a corporate Customer and Digital Strategy	16	8	Mar-26

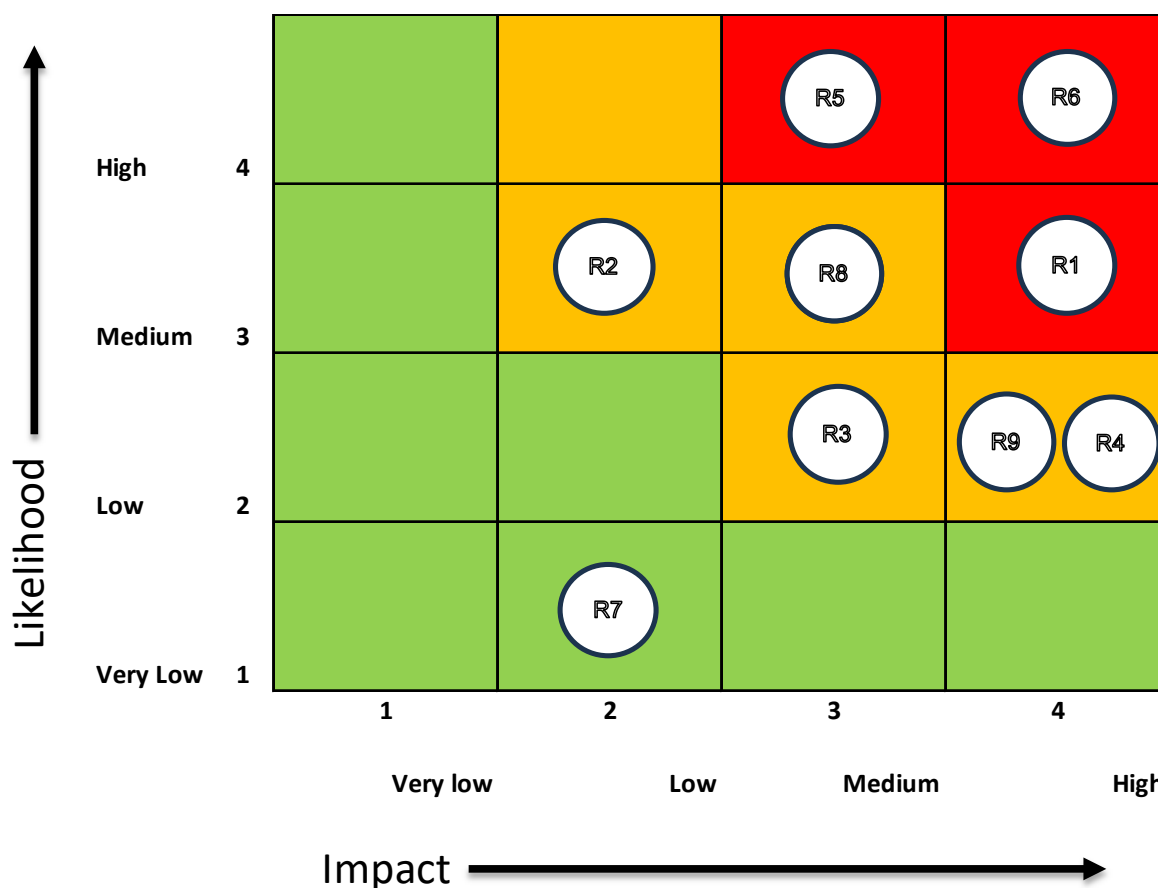
Internal			
Resources			
T	F	P	A
H	H	H	H
M	M	H	H
M	H	L	VL
H	L	H	VL
VH	VH	H	VH
VH	H	M	L
M	H	H	M
L	L	L	L
H	H	H	H

External					
Risk Drivers for Appetite					
F	Rep	Reg	L	Comp	Comm
L	VH	VL	VL	L	H
L	VH	L	L	L	H
VH	VH	M	M	M	VH
VH	VH	VH	VH	VH	VH
VH	H	H	VH	VH	VH
H	VH	H	H	H	VH
H	M	H	L	L	M
VH	H	M	L	L	VH
H	M	M	L	L	M

Risk Appetite Rating
Cautious (M)
Open to Risk (H)
Open to Risk (H)
Cautious (M)
Cautious (M)
Open to Risk (H)
Cautious (M)
Open to Risk (H)
Open to Risk (H)

Key

Resources	
T	Time
F	Financial
P	People
A	Assets
Risk Drivers for Appetite	
F	Financial
Rep	Reputational
Reg	Regulatory
L	Legal
Comp	Compliance
Comm	Community
Risk Appetite Rating	
VL	Very Low
L	Low
M	Medium
H	High
VH	Very High



- R1 Net Zero Carbon City
- R2 Healthy and Active City
- R3 Leading a Well-run Council
- R4 Leading a Well-run Council
- R5 Leading a Well-run Council
- R6 Housing and Building Great Neighbourhoods
- R7 Thriving Culture and Heritage
- R8 Prosperous Local Economy
- R9 Leading a Well-run Council

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REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:

Report of: Strategic Director of Corporate Resources

Title: Quarterly Procurement Waiver and Breach Transparency Report

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

The report provides an overview of the procurement waivers granted in the last two quarters to ensure transparency and accountability in internal decision-making processes and compliance with the Council's Procurement and Contract Procedures and procurement legislation. The report also provides an update on the development of a procedure to identify and report on procurement breaches which will enable members to improve monitoring of compliance with council Procurement and Contract Procedures and procurement legislation.

2. Recommendations:

That members note the waivers and breaches of the Procurement and Contract Procedures for quarter 4 2024/25 and Q1 2025/2026.

3. Reasons for the recommendation:

To comply with the Contract and Procurement Procedures Rules and external audit report (Year Ended 31st March 2024) recommendation that waivers and breaches should be reported to and considered by Audit and Governance Committee.

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

There are no new financial implications as this report is for information.

5. Section 151 Officer comments:

The information in the report has previously been part of the Members Information Bulletin, but will now be reported to Audit & Governance on a quarterly basis. This is a welcome step forward in informing Councillors of issues within Procurement.

6. What are the legal aspects?

A transparent governance process to identify where breaches/waivers have taken place maximises compliance with the Procurement Act 2023 and the Council's Procurement and Contract Procedures which form part of the Council's Constitution.

Section 6 of the Council's Procurement and Contract Procedure Rules sets out the procurement requirements at various thresholds. In particular, all purchases over £25k

(excluding VAT) must be subject to some kind of competition process as detailed in Table 1 below.

Table 1 - Internal Thresholds – All thresholds exclusive of VAT

Value of Contract (exc VAT)	How to procure
Up to £25k	Min 1 Quotation (3 preferred)
Between £25k and £100k	Min 3 Quotations
Between £100k and the UK Procurement threshold	Formal tenders
Over UK Procurement threshold	Formal tenders

Rules 2.4 – 2.6 of the Council's Procedures allow a "waiver" to the requirement for competition and allows a contract to be awarded by direct negotiation with one supplier. This must be agreed and documented in advance. The Council's Procedures do not permit the granting of waivers where they are over the relevant legal UK procurement thresholds shown in Table 2 below.

Table 2 – Relevant UK Legal Procurement Thresholds effective January 2024 – January 2026 (inclusive of VAT)

Goods and Services Threshold	£214,904 (inc VAT)
Works Threshold	£5,372,609 (inc VAT)

If a direct award is made which is above the relevant procurement threshold (and a legally compliant alternative such as a Framework Agreement is not used) or a contract continues after its end date, then a breach of the rules has occurred. Paragraph 2.8 of the Procedures requires the procurement team to record non-compliance with the Procedures and report this to the Monitoring Officer.

In exceptional circumstances, the legislation allows some legally permitted direct awards, for instance to cover emergency provisions.

7. Monitoring Officer's comments:

Members will note that a number of waivers and breaches have been identified. Members will note at paragraph 8.2.3 the steps that are being taken in order to increase compliance with the legislation and the Council's own procedures. The Audit and Governance Committee will now receive regular updates so that compliance can be monitored.

8. Report details:

8.1 Background

It was a key recommendation of the External Audit Report for the year ended 31st March 2024 that the council review spend to suppliers to identify where spend has not been in accordance with Procurement and Contract Procedures or procurement legislation. The report also recommended that the council should take appropriate action to ensure that breaches are identified and appropriate action taken.

Waivers to the Procurement and Contract Procedures for Q1-Q3 2024/2025 were reported to members via the Councillor's Information Bulletin on 10th January 2025. In future waivers and breaches will be reported to the Audit and Governance Committee quarterly in line with audit recommendations.

8.2 Report

8.2.1 Waivers

The Procurement and Contract Procedures form part of the Council's Constitution and set out the process that must be followed if, in exceptional circumstances, there are legitimate reasons where it may not be possible for an officer to comply with a specific part of the Procedures and/or run a competitive process. Where the Procedures cannot be followed, a Waiver must be applied for.

Where expenditure is under £100k ex VAT, a Head of Service or SMB member must approve a Waiver to the Procedures and provide a copy of the written approval (Waiver Application Form) to the procurement team to be added to the Waivers Register. In addition, the Procurement Manager is required to review and comment on waiver requests over £100k ex VAT. As a general rule, Waivers are not approved for expenditure beyond 1 year in duration.

In circumstances where a waiver is valued over the relevant UK procurement threshold, procurement/legal advice is required to assess the application of Section 41 and Schedule 5 of the Procurement Act 2023 which provides for direct awards in special cases, that is, where a contract is awarded without undergoing a competitive process.

During the period 1 January 2025 – 31st March 2025, a total of 7 requests were approved and recorded as summarised in the table below (further details are set out in Appendix A):

Waiver (Exemption) Primary Reason:	Total (Q4 2024/25)	Value of Waiver (ex VAT)
Increased Cost/Loss of Income	5	£259,982.47
Limited Markets	1	£165,000.00
Reputational Damage (the Council would be criticised for failing to act promptly)	0	-
Compliant Direct Award via Framework	1	£113,000

Total	7	£537,982.47
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During the period 1 April 2025 – 30th June 2025, a total of 3 waiver applications were approved and recorded as summarised in the table below (further detail can be found in Appendix B):

Waiver (Exemption) Primary Reason:	Total (Q1 2025/26)	Value of Waiver (ex VAT)
Increased Cost/Loss of Income	1	£43,243
Limited Markets	0	-
Reputational Damage (the Council would be criticised for failing to act promptly)	1	£44,430
Compliant Direct Award via Framework	1	£48,000
Total	3	£87,673

Additional waiver requests from the housing team have been received and are under review by the legal and procurement teams.

8.2.2 Breaches

A procurement breach may be as a result of either a failure to follow Council's Procurement and Contract Procedures and/or a failure to comply with Procurement Legislation. Breaches over the UK legal thresholds expose the Council to the greatest risk.

Weaknesses in current compliance controls were proactively identified by the procurement team and as a result, Internal Audit was specifically asked during Q1 2025/26 to audit the extent to which Directorates comply with the Procurement and Contract Procedures. The report identifies a number of areas for improvement and up to 35 potential breaches of internal rules and/or legislation.

As this internal audit has only recently been completed, the procurement team are working through the list of potential breaches to establish whether they are actual breaches. If they are, the matter will be escalated to the Head of Service and/or Director for review.

The following are known breaches which have not previously been reported to the Audit and Governance Committee.

Service	Detail of Breach	Over/under UK Legal Procurement threshold	Action being taken to address
Leisure and Culture	Failure to serve notice on an auto renewing contract for the leisure management system in time to re-procure.	Over threshold	Procurement is working with the leisure team to re-procure via G-Cloud in quarter 2 (2025/2026).
Leisure and Culture	Food and Beverage purchases at Leisure Centres	Over threshold	A suitable framework has been identified and procurement are supporting the service to re-procure compliantly in quarter 2.
Leisure and Culture	Cleaning of leisure centres	Over threshold	A project team has been formed by procurement and there is a plan to reprocure cleaning services corporately to include the leisure contract subject to Director approval. The aim is to reprocure prior to end of September 2025.
Operations	Procurement of Play area repairs/installations. Aggregated spend indicates that a tender process should be followed.	Over threshold	The procurement team are meeting with the Operations team every two weeks to develop tender documentation
Housing	Security Services	Over threshold	As soon as capacity allows, the procurement team will form a cross-service project team to look at the provision of security services corporately to address the disaggregation of spend in this area.

8.2.3 Steps being taken to reduce the risk of Non-Compliance

The following actions are being taking to reduce the risks of the Council breaching its own rules and procurement legislation in line with Internal Audit recommendations:

- Training was provided to all Heads of Service covering the basic requirements of the Procurement and Contract Procedures in May 2025. Training has also been provided to the Leisure Management and Asset Maintenance teams and further training will be offered to around 100 key members of staff.

- A draft Breach Procedure Note has been presented to SMB outlining how the team will introduce and record monthly random sampling of spend and escalate instances where non-compliance is suspected.
- Terms of Reference are being drafted for creation of a new Procurement and Contract Board. These will be presented to SMB for consideration in due course. The Board will support the monitoring of spend across the council to help ensure value for money and procurement compliance.
- Monthly spend reports are now being used to create a spend monitoring dashboard which will be used to help track spend on key contracts and identify off contract spend and opportunities to aggregate spend and achieve value for money.

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

Effective governance, transparency and delivering value for money contributes to the Council's purpose of leading a well-run Council.

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

Failure to have appropriate controls in place to monitor and manage non-compliance with the Contract Procurement Rules and procurement legislation may expose the council to legal challenge, reputational harm, and failure to achieve value for money.

Steps being taken to reduce the risks are detailed in 8.2.3 above.

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 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?

13.1 Not Applicable

Director: Dave Hodgson, Strategic Director of Corporate Resources

Author: Lynda Chaffey, Procurement Manager

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

Background papers used in compiling this report:-

None

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Appendix A – Waivers to the Contract and Procurement Procedures Recorded Q4 2024/2025

Waiver Reference	Project / Contract Title	Directorate / Service	Signed by Corp Manager / SMB Member	Supplier	Waiver Start Date	Waiver End Date	Reason it is longer than a year if applicable	Waiver Value £	Primary Reason for Waiver
EXMP0041	Corn Exchange To provide urgent professional consultancy services for the full design and contract management for the windows and conc sub frame replacement works contract	Operations/ Asset Maintenance	Strategic Director - Operations	South West Norse	28/11/2024	TBC	N/A	£58,000.00	Increased cost
EXMP0042	Trews Weir Repairs Study – Phase 1	Operations/ Engineering	Head of Operations	Faithful & Gould/Atkins Group	23/01/2024	31/12/2025	TBC	£113,000.00	Legally compliant Direct Award Via Framework
EXMP0044	Building Services PPM Term Contract to Corporate Property Sites	Operations/Asset Maintenance	Strategic Director - Operations	WEMco	01/04/2025	31/03/2026	to allow for Leisure sites to be incorporated into new long term PPM contract	£36,000.00	Increased cost
EXMP0045	Door Maintenance Services PPM Term Contract to Corporate Property Sites	Operations/Asset Maintenance	Strategic Director - Operations	Five Star Maintenance	01/04/2025	31/03/2026	N/A	£28,000.00	Increased Cost
EXMP0046	Purchase of workboat port Constructor	Operations/Waterways	Head of Operations	Exmouth Mussels	18/11/2024	18/11/2024	N/A	£165,000.00	Limited Markets
EXPM0047	Laings Project – Project Manager/Cost Consultant/Contract Administrator/Designer	Operations/ Housing Assets	Head of Asset Maintenance	Kendall Kingscott	01/02/2025	31/08/2026	nature of works	£95,000.00	Increased cost
WA00001	28 South Street - Urgent refurb works	Corporate Resources/ Commercial Assets	Head of Commercial Assets	Mercury Construction	19/03/2025	20/07/2025	N/A	£42,982.47	Increased cost

Appendix B – Waivers to the Contract and Procurement Procedures Recorded Q1 2025/2026

Waiver Reference	Project / Contract Title	Directorate / Service	Signed by Corp Manager / SMB Member	Supplier	Waiver Start Date	Waiver End Date	Reason it is longer than a year if applicable	Waiver Value £	Primary Reason for Waiver
WA000002	Vaughan Road (The Gardens Whipton) Development - Landscaping	Operations/ Public and Greenspace	Head of Operations	Greentech Ltd	28/04/2025	28/05/2025	N/A	43,243.00	Increased Cost/Loss of Income
WA000003	Bill Payment Solutions	Corporate Resources/ Finance	Strategic Director Corporate Resources	Allpay Ltd	01/05/2025	30/04/2026	One 12 month extension within contract to allow for sufficient time to procure and view options	44,430.00	Legally Compliant Direct Award via Framework
WA000004	Emergency & Contingency Support Processing comingled materials	Operations/ Environment & Waste	Strategic Director Operations	GAE Smith Holdings (casepak, part of Reconomy)	1/04/2025	31/03/2026	n/a	48,000.00	Reputational Damage

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