

## **AUDIT AND GOVERNANCE COMMITTEE**

Thursday 4 September 2025

### **Present:**

Councillor Wardle (Chair)  
Councillors Atkinson, Banyard, Holland, Knott, Miller-Boam, Mitchell, M, Payne and Snow

### **Apologies:**

Councillors Moore and Begley

### **Also Present:**

Chief Executive, Strategic Director for Corporate Resources, Head of Legal and Democratic Services & Monitoring Officer, Strategic Director for Place, SWAP Internal Audit Services, Audit Manager - Grant Thornton, Head of Service - Finance, Head of Service - City Centre and Net Zero, Head of Service - Digital and Data and Democratic Services Officer (LS)

77

### **MINUTES**

The minutes of the special meeting held 17 July 2025 were taken as read, approved and signed by the Chair as correct.

The minutes of the meeting held 24 July 2025 were taken as read, approved and signed by the Chair as correct.

78

### **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

79

### **INTERNAL AUDIT PROGRESS REPORT**

The Assistant Director, SWAP presented the report for the first quarter of 2025/26 making the following points:

- The key items could be found on page 42 and the audit for 2024/25 was complete as there had been one audit to finalise which was now concluded;
- a reasonable start had been made to 2025/26 with 26% completed or in progress with 2 limited assurances issued of which executive summaries were provided at Appendix B beginning on page 48 and full details would be provided in the next agenda item;
- action plan monitoring dashboard could be found at Appendix D with 106 actions of which 4 were overdue. Further details were included following discussion at the last committee meeting. Automatic reminders were now sent to managers of actions overdue or about to become overdue. It was understood that actions could take longer than planned and that target timescales may need to be amended; and
- 35 actions had dates extended and a full list of audits could be found at Appendix D with 2 new which had been deferred from 2024/25.

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

- the biodiversity net gain audit was ongoing therefore conclusions could not be drawn but more information may be available at the next reporting stage;

and

- the audit had looked at which information governance policies would be expected to be in place and the key issue was that there were gaps in the suite of policies with some missing and others not having been reviewed for some time. An example was given of the Retention Policy which was overdue for review which included the information asset register.

The Audit and Governance Committee noted the Internal Audit Progress Report for the first quarter of 2025/26.

80

### **LIMITED ASSURANCE REPORT**

The Head of Service – Finance presented the report making the following points:

- this was an early progress report and detailed the actions to be taken;
- two limited assurances had been issued since July, relating to Payroll and Information Governance.

The Chief Executive, Strategic Director for Corporate Resources and Head of Service – Digital and Data responded to Members' questions in the following terms:

- payments and allowances had been reviewed and the simplifications would be in place by the end of this calendar year;
- when the Strategic Management Board restructure took place the Chief Executive believed that mandatory training was an area which required strengthening;
- at the time of the audit the Head of Service – Digital and Data was new in post but compliance was one of his priorities and it was aimed to be in place by the end of the calendar year;
- iTrent was a system which was under review and the team were looking at ways to improve the product;
- iTrent was used by all three local authorities maintained by Strata therefore ideally the council would make best use of it and this was a priority for the team;
- there were active plans in place to tackle the Information Governance Audit, including an improvement plan for iTrent. Strata was an active participant and provided information and advice but responses to the audit were the responsibility of the city council; and
- it was not believed that the council would be required to report to the Information Commissioner's Officer and the work would ensure that policies were comparable across the three councils working with Strata.

The Audit and Governance Committee noted the audit reports contained at Appendix 1 and 2 and the actions that would be taken in response to the recommendations.

81

### **EXTERNAL AUDIT PROGRESS REPORT**

The Audit Manager, Grant Thornton presented the progress report making the following points:

- the cycle was underway and work had begun on the final accounts and financial statement process and this was a progress report.
- the report outlined work done prior to today, interim work and plan;
- there had been a delay in the draft statement being provided;
- value for money work was starting and the interim report would come in

November;

- certification of claims and returns had been carried out by a separate team at Grant Thornton but in liaison with the Manager, Grant Thornton and the Strategic Director for Corporate Resources;
- audit deliverables could be seen;
- the findings report was to be confirmed given the February backdrop which if missed a disclaimer would be issued, however, the aim would be to avoid this; and
- the November committee would be too soon and March too late but in discussion with the Strategic Director they were working towards a resolution.

The Audit Manager, Grant Thornton, Strategic Director for Corporate Resources and Head of Service – Finance responded to Members questions in the following terms:

- the issue with asset valuations was not necessarily with the valuations rather that a new valuer had been taken on utilising a different methodology which had presented challenges and delay;
- there had been some issues in understanding from Commercial Assets of the needs of the valuers and led to issues with them being provided adequate information;
- the council chose to actively challenge the valuation to ensure materially accurate figures in the accounts;
- a meeting had been set up between Estates, Finance and the valuer to understand the needs of both parties;
- management of the leases was a council issue and the role of audit was to ensure that management had identified all leases to be included in the financial statements for 2024/25 and review all assets to check that any which fell under this category were included;
- to prepare for the Council's transition to the new lease accounting standard, IFRS16, an accountant was dedicated to implementing IFRS 16 and tasked to deliver a project plan to move to the new accounting standard which included identifying all leases. Whilst the standard impacted all leases, the most significant impact was on assets leased in by the Council, rather than those leased out;
- IFRS 16 required that leases in were recognised as though they had been purchased;
- in the past leases in had been a revenue cost but they were now recognised as 'right of use' assets and recognised on the balance sheet;
- the budget highlighted a number of properties in the capital programme to be included on the balance sheet as 'right of use' assets. These included properties leased in for temporary accommodation. Rental payments were now split between principal repayment and interest.
- the complaints illustration on page 33 was given as an example rather than a reflection of Exeter's position.

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

## **AMENDMENTS TO THE COUNCIL FINANCIAL REGULATIONS**

The Head of Service Finance presented the report making the following points:

- the revisions included the addition of front and contents pages as well as an introduction which made the document stand alone as part of the wider Constitution;
- there had been key changes to financial thresholds in relation to virements, supplementary budgets, debt write-offs and asset disposals;

- benchmarking with other authorities had taken place which showed that current thresholds were low and restrictive which SWAP had also highlighted;
- Section 8.3.2 had minor amendments; and
- in Appendix 1 all areas shaded in grey were new or amended.

The Head of Service – Finance responded to Members’ questions in the following terms:

- there was a typographical error on page 83 which would be corrected;
- a virement was where a budget had been approved for a purpose and subsequently required to be moved within a service area – this would be cost-neutral but redeploying a budget meant moving from one cost code to another;
- the statute of limitations for debt was six years;
- write-off of debt could be for a variety of reasons and could be undertaken on debts less than 12 months old;
- the new income collection team would be reviewing historic debts and a reduction should be seen; and
- ownership of IT equipment lay with the council and appropriate insurance was in place and Strata managed some aspects of recycling and redeployment.

The Chair moved the recommendations as set out in the report which were seconded by Councillor Payne and following a vote were CARRIED.

#### **RECOMMENDED to Council**

- (i) that the revised Financial Regulations at Appendix 1 and 2 are approved;
- (ii) that the thresholds for approving budget virements within each Strategic Directors service areas are increased;
- (iii) that the thresholds for approving supplementary budgets are increased;
- (iv) that the thresholds for approving debtor write-offs are increased;
- (v) that the thresholds for approving disposal of assets are increased;
- (vi) that other minor changes to the regulations are approved.

The Strategic Director for Place presented the report making the following points:

- this was a regular six-monthly review;
- work going forward would be guided by the Council’s Costed Carbon Footprint Projections Report(Carbon Descent) which was critical and the full study had been presented to the Executive and would be to scrutiny as well as a further report which would go to Executive to establish next steps, actions and targets;
- the detail showed how net zero applied to all council services and actions and initiatives would be embedded in each service with work on this being led by OMB and beginning to address some of the risks;
- the Council was committed to achieving net zero as confirmed in the new Corporate Plan which included using income from a temporary car park to continue funding the net zero team;
- risks remained high and causes were mainly funding or lack of, technology and procurement;
- there was a lot being done and which still could be done;
- a lot of work was being done by the team across services on mitigations;
- residual risk was improving; and
- he expressed thanks to the net zero team for their fantastic work.

The Strategic Director for Place and Head of Service – City Centre and Net Zero responded to Members questions in the following terms:

- the district heat network was a private-sector led initiative of which the council were an enabler, there was no current plan to connect but potential was being explored;
- One Energy were working with four key public sector partners who had PSDS funding, outline planning permission had been achieved and One Energy continued to develop infrastructure;
- detail could be provided regarding other authorities the council were working with but awards have been received and it has been said that we are leading the way in this work;
- an update on citywide net zero would be brought to Strategic Scrutiny Committee which would include updates and the Devon Climate Emergency Group brings those partners together; and
- the risk score used a methodology and what can be seen is what is produced but there was ongoing work which would hopefully mitigate and reduce the risk.

The Chair moved the recommendations as set out in the report which were seconded by Councillor Miller-Boam and following a unanimous vote were CARRIED.

**RECOMMENDED** to Council that the updated Net Zero Risk Register is approved; and it is acknowledged that the Council's Costed Organisational Carbon Footprint Projections to 2030 study will be reported to Scrutiny on 11 September, after which a further report will be considered by Executive. The report will address further work beyond the measures which have already been fully costed and committed and a revised Carbon Reduction Plan.

(The meeting commenced at 5.30 pm and closed at 6.18 pm)

Chair