

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

AGS Issue No.	Issue identified	Responsible Officer	Summary of action proposed	Update Sept 2021	Update December 2021	Update March 2022	Notes
1	Financial position - Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Council is facing increased cost and demand pressures at the same time as seeing a significant drop in income. Support from Central Government has mitigated some of the pressures, but the longer term impact could still be damaging to the Council's financial position.	Director Finance	The Government have provided grants to cover expenditure pressures. The Government have committed to covering most of the losses from sales, fees and charges. The Council has taken an emergency budget to be considered on 21 July 2020, identifying ways to ensure a balanced budget. The Council is setting aside funds to mitigate ongoing impacts on income to protect against a further emergency budget being required in 2021-22.	The first quarter budget monitoring report will be presented to Executive and Council in October. At this stage, it is projected that the income shortfall will be well within the amount set aside to protect the Council's financial position.	The actions taken to mitigate the risk are assessed as being adequate. The Council is on track to maintain a balanced budget in 2021-22, whilst using only part of the funds set aside to protect the Council's financial position.		
2	Information security in the expanded work environment - The rapid widespread shift to homeworking amid national lockdowns in 2020 brought with it a unique data security challenge. Lacking personal interaction, staff can be more susceptible to social engineering ploys as they cannot immediately sense-check emails with nearby co-workers. Given that the Council is likely to keep a greater degree of remote and flexible working arrangements in place going forward, it is more important than ever that information security culture is promoted throughout every level of the organisation to raise awareness and ensure the integrity of staff behaviour.	Information Security Forum	Information Security Forum to look at: <ul style="list-style-type: none"> • how the newly expanded work environment has impacted information security controls in different parts of the organisation and update the Information Security Risk Register accordingly • how best to raise staff awareness of key information security threats and provide guidance on what staff should look out for • whether staff information security training needs to be updated in light of changes to the working environment and IT infrastructure. 	Audit Manager is due to meet with Corporate Manager Executive Support as the Council's Senior Information Risk Owner (SIRO) to discuss and agree an action plan for this issue	The Council's insurer, Zurich Municipal to undertake an Information Governance Health Check with a focus on the usage, treatment and storage of data across the Council.	As part of the 'One Exeter' project, the Council will be moving to the Microsoft 365 environment as the enabling technology to underpin the transformation programme. Among other things, this move will help safeguard business data with built-in security features, defend against cyberthreats, make customer data more secure and help improve device security. The technology is currently being trialled by Teignbridge DC before being rolled out to Exeter and East Devon.	
3	Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake up of operations and control systems. These factors include the following: <ul style="list-style-type: none"> • response to the global pandemic • recovery from the global pandemic • external factors e.g. regulatory change and compliance, climate change • internal factors e.g. Organisational Development plan to deliver the digitalisation/transformation of service delivery, bringing Leisure in-house 	Audit Managers	The Audit Plan 2021/22 approved by Audit & Governance in March 2021 will continue to be flexible with updates/changes to the plan reported quarterly to enable the Audit Manager to respond to emerging issues. Audit Manager to provide advice and guidance/support to the Organisational Development Project Group to ensure that an adequate control environment continues to be in place throughout the transformation period. The Audit Plan 2021/22 includes time for a review of the new in-house leisure service. The Deputy Chief Executive has been tasked with leading the transformation Programme and has set up a dedicated team to address the ambitious program.	No further updates at this stage.	The Organisational Change Programme, One Exeter, has identified a number of strands of work including: <ul style="list-style-type: none"> - Customer Process - Workforce Plan - Wellbeing - Workplace - Organisation Structure - Culture and Leadership As part of OMB, the Audit Manager will be involved in a number of these workstreams to ensure that an adequate control environment is maintained throughout this lifetime of this programme.	The Internal Audit Managers are involved in the One Exeter work streams. Internal Audit's involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program.	

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