

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 9 March 2022

### **Present:-**

Councillor Tony Wardle (Chair)

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

### **Apologies:-**

Councillors Hannaford, Martin and Quance

### **Also Present:-**

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

Julie Masci Engagement Lead Grant Thornton (External Auditors)

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### **MINUTES**

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

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### **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

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### **AUDIT FINDINGS REPORT 2020/21**

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

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

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

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

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### **INTERNAL ANNUAL AUDIT PLAN 2022/23**

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

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

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

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

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

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

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

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

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### **INTERNAL AUDIT PROGRESS REPORT**

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

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

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

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

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### **CODE OF CORPORATE GOVERNANCE 2022/23**

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

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

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

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

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

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

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

- *Risk 2: Business Continuity:*

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

- *Risk 3: Carbon Neutral 2030:*

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

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

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

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

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

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

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

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

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

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

Chair