



Exeter City Council

To the Chair and Members
of the Audit and Governance Committee

Please ask for: Sharon Sissons
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Our ref:
Your ref:

A meeting of the **AUDIT AND GOVERNANCE COMMITTEE** will be held in the Rennes Room, Civic Centre, Paris Street, Exeter at **5.30 pm** on **WEDNESDAY 26 JUNE 2013** to consider the following business. If you have an enquiry regarding any items on this agenda, please contact Sharon Sissons, Democratic Services Officer (Committees) on **Exeter 265115**.

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

Pages

A G E N D A

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 sign the minutes of Standards Committee held on 1 May 2013.

3 **DECLARATIONS OF INTEREST**

Councillors are reminded of the need to declare personal and prejudicial interests, including the nature and extent of such interests, in relation to business on the agenda, before any discussion takes place on the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

4 **PRESENTATION ON THE SCOPE OF THE AUDIT AND GOVERNANCE COMMITTEE**

To note the Terms of Reference for the meeting. 5 - 6

5 **AUDIT COMMITTEE UPDATE REPORT - JUNE 2013**

The Council's External Auditor, Grant Thornton, will present the Annual Progress Report to Members – *report circulated* 7 - 22

Office of Corporate Manager Democratic & Civic Support			
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6	<u>AUDIT PLAN 2012/13</u>	
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	To consider the report of the Corporate Manager Policy, Communications and Community Engagement – <i>report circulated</i>	73 - 80
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DATE OF NEXT MEETING

The next meeting of the Audit and Governance Committee will be held on Thursday 26 September 2013 at 5.30pm

Membership -

Councillor Simon Bowkett (Chair), Councillors Baldwin (Deputy Chair), Branston, Choules, D J Henson, Laws, Leadbetter, Morris, Payne and Spackman

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TERMS OF REFERENCE FOR AUDIT AND GOVERNANCE COMMITTEE

Audit Activity

1. To approve, but not direct, the Internal Audit Strategy and annual audit plan ensuring that appropriate risk assessments have been carried out when formulating the internal audit plan and to monitor performance against the plan.
2. To review any revisions to the plan as advised by the Audit Manager and agreed by the Assistant Director Finance.
3. To review half yearly internal audit reports and the main issues arising and seek assurance from management that action has been taken, where necessary. It is proposed to report quarterly.
4. To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
5. To consider the Audit Manager's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
6. To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
7. To consider specific reports as agreed with the external auditor.
8. To comment on the scope and depth of external audit work and to ensure it gives value for money.
9. To commission work from internal and external audit.

Regulatory Framework

10. To review any issue referred to it by the Chief Executive and Growth Director, senior management or any council body.
11. To monitor the effective development and operation of risk management and corporate governance in the Council and agree necessary actions to ensure compliance with best practice.
12. To review the Annual Governance Statement (AGS) and to recommend its adoption.
13. To consider the Council's compliance with its own and other published standards and controls.
14. To advise the City Council on the adoption of Codes of Conduct with the aim of promoting and maintaining high standards of conduct by members and officers and the subsequent monitoring and updating of the Codes.
15. To develop and adopt a Code of Practice on relations between members and officers.

16. To develop and monitor a Local Planning Code.
17. To ensure the provision of advice and training to members and officers on the above Codes of Conduct/Practice.
18. To hear and determine allegations of misconduct.
19. To be responsible for the Council's procedure for investigating and responding to complaints.
20. To give advice to members on the declaration of interests.
21. To monitor the "Whistle blowing Policy" which meets the requirements of the Public Interest Disclosure Act 1998, to encourage employees to report suspected malpractice, fraud or crime by other staff, the public or organisations having dealings with the Council.
22. To monitor and review the Council's Anti-fraud, Anti-bribery and Anti-corruption Strategy.
23. To monitor the Council's constitution and, having regard to any report of the Monitoring Officer, to make appropriate recommendations where necessary.

Accounts

24. To approve and adopt the Council's Statement of Accounts, income, expenditure and balance sheet or record of receipts and payments.
25. To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
26. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.



Audit Committee Update for Exeter City Council

Year ended 31 March 2013

5 June 2013

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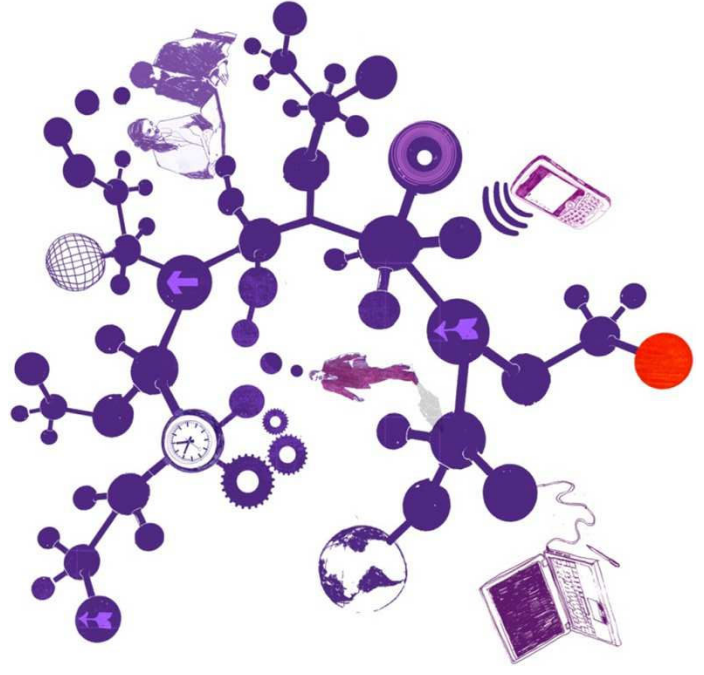
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Towards a tipping point?', 'The migration of public services', 'Local Government Governance Review 2012', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at June 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	May 2013	Yes	Our audit plan was finalised in May 2013 and is included as an agenda item for consideration at the 26 June 2013 meeting of the Audit Committee.
<p>Interim accounts audit Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • update understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	May 2013	Yes	Our interim fieldwork is complete and the findings form part of the audit plan which, as noted above, will be presented to the June 2013 meeting of the Audit Committee.
<p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	August/ September 2013	Not yet due	<p>In advance of our final accounts audit we will continue to meet with senior finance staff and Internal Audit.</p> <p>This will ensure we have an up to date understanding of the issues relevant to our audit of the accounts and Value for Money conclusion.</p>

Progress at June 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2012/13 VfM conclusion comprises assessing whether the Council:</p> <ul style="list-style-type: none"> has proper arrangements in place for securing financial resilience has proper arrangements for challenging how it secures economy, efficiency and effectiveness. 	March - August 2013	In progress	<p>We undertake an initial risk assessment to identify any significant risk areas. This is followed by more detailed work.</p> <p>In common with other local government bodies Exeter City Council faces significant financial pressures. We will review the Council's financial plans and outcomes and will produce a financial resilience report.</p> <p>We will also consider any other significant developments at the Council such as the on-going organisational review and review of the procurement process so that they inform our conclusion.</p>
<p>Other areas of work</p> <p>Grant certification work 2012/13: We will undertake grants certification work in line with deadlines issued by the relevant Government Departments.</p>	June – November 2013	Not yet due	<p>We have developed a plan to audit those grants that require audit certification in accordance with Audit Commission guidance and Government Department deadlines.</p> <p>Our initial work on the Council's council tax and housing benefit claim has started as planned.</p>

Emerging issues and developments

Accounting and audit issues

Local government accounts timetable

The key dates in the local government accounts timetable are as follows:

- by 30 June - the responsible financial officer certifies the presentation of the draft statement of accounts
- by 30 September:
 - the responsible financial officer recertifies the presentation of the final statement of accounts before members' approval
 - members approve the statement of accounts
 - the statement of accounts is published, with the audit opinion, certificate and audit report if issued by the auditor.

The key dates for Whole of Government Accounts are:

- by 31 July - submission of unaudited WGA L-Pack by authority
- by 7 October - submission of audited WGA L-Pack by auditor

Issues for the Council to consider:

- Has your Acting Assistant Director Finance produced a robust and adequately resourced timetable for the production and submission of its 2012/13 financial statements?
- Has this been discussed and agreed with the External Auditors?

Emerging issues and developments

Accounting and audit issues

Carbon reduction commitment scheme

The Carbon Reduction Commitment (CRC) Energy Efficiency scheme is intended to improve energy efficiency and reduce emissions in line with the Climate Change Act 2008. Under the scheme, authorities need to buy allowances for their carbon dioxide (CO₂) emissions. The CRC Scheme will not apply to every local authority, only those authorities covered by the CRC Scheme will need to implement the requirements. An authority will qualify as a CRC participant based on their half-hourly electricity usage.

Between June and July 2013 authorities will be able to purchase allowances for 2012/13, and in July 2013 participating local authorities are required to surrender purchased allowances in relation to CO₂ emissions reported for the financial year 2012/13.

IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*, requires that a provision is recognised when:

- an entity has a present obligation because of a past event. The obligating event occurs when an authority produces emissions that require it to purchase and surrender allowances in accordance with the CRC Scheme's requirements at the reporting date;
- it is probable that an outflow of economic benefit will be required to settle the obligation. The details of the scheme and the timetable for the transactions set out in the 'CRC Energy Efficiency Scheme (Allocation of Allowances for Payment) Regulations 2012' makes it probable that an outflow of resources will be required; and
- a reliable estimate can be made of the amount of the obligation. The Regulations confirm that the allowances will be priced at £12 per tonne of carbon dioxide. This makes it possible to estimate the amount of the obligation, provided the authority has arrangements in place to measure or estimate the level of CRC emissions in 2012/13.

As the obligation to meet CRC responsibilities arises during 2012/13, the obligation should be accounted for at 31 March 2013.

Any allowances held should be classified as either current intangible assets in accordance with section 4.5 of the Code, or, if held for the purpose of trading, as a current asset.

Issue for the Council to consider:

- Has your Acting Assistant Director Finance considered the need for additional provisions?

Emerging issues and developments

Accounting and audit issues

UK Public Sector Internal Audit Standards

From 1 April 2013, the UK Public Sector Internal Audit Standards (PSIAS) are to be used throughout the public sector. The PSIAS are based on existing International Standards for Internal Audit, but have been adapted for use in the public sector.

The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The key changes are:

- the term 'chief audit executive' is used rather than 'head of internal audit' or 'chief internal auditor'.
- the requirement for an internal audit charter. This must formally define the purpose, authority and responsibility of the internal audit activity, as well as the nature of consulting services and the terms 'board' and 'senior management'. It will also cover arrangements for avoiding conflicts of interest if internal audit carries out any non-audit activities.
- there is no longer a requirement to produce an audit strategy. Instead, a risk-based plan must incorporate or be linked to a strategic or high-level statement which sets out how the internal audit service will be provided and developed in accordance with the charter and how it will link to the organisation's objectives and priorities.
- the chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This includes internal and external assessments. The QA&IP is designed to assess the efficiency and effectiveness of internal audit as well as identify opportunities for improvement. The chief audit executive will have to include a statement on the results of the QA&IP in an annual report.

Issues for the Council to consider:

- Are plans in place to assess your internal audit function against the requirements of the PSIAS?
- How can you drive more organisational value from internal audit?
- Do you have an action plan in place to deal with any issues arising?

Grant Thornton can provide a review of internal audit effectiveness. If you have any queries, talk to your engagement manager to see how Grant Thornton could help.

Emerging issues and developments

Grant Thornton

Local Government Governance report

In February, we published '[Local Government Governance Review 2013](#)', our second annual review into local government governance. The report is based on:

- survey responses from over 60 council senior officers and members on governance reporting and the supporting processes
- a desk top review of 2011/12 Annual Governance Statements and explanatory forewords for 153 councils, against our best practice checklists based on the CIPFA/SOLACE framework and guidance notes.

Good governance is essential to both council leaders and the public. It supports leaders in making the best decisions, reduces the likelihood of things going wrong and protects them when problems do occur. It inspires confidence in the public that the best decisions are being taken for the right reasons, that the quality of service is protected and that public money is being wisely spent.

The key findings included:

- one third of survey respondents do not consider that council accounts are aimed at the public and the length and technical complexity makes them difficult to understand
- many council Annual Governance Statements follow too rigidly the example text in the CIPFA/SOLACE guidance, rather than reflecting the unique features and challenges of their own organisation
- explanatory forewords are often far from 'explanatory', being hard to read and not aligned to councils' strategic goals
- on-going governance processes and year-end statements are commonly two distinct exercises.
- there is often a lack of understanding within local authorities about what the governance framework is for and how it fits together
- although external alliances are becoming increasingly important in service delivery, 21% of survey respondents are not clear about council roles and responsibilities when working in partnerships.

Issues for the Council to consider:

- Have you considered the findings of the report?
- What action do you plan to take to improve governance arrangements?

Grant Thornton can provide you with a bespoke, benchmarked governance review. If you have any queries on governance, talk to your engagement manager to see how Grant Thornton could help.

Emerging issues and developments

Local government guidance

Financial sustainability of local authorities

In January, the National Audit Office published '[Financial sustainability of local authorities](#)'. The report examined central government's approach to local authority funding, and reviewed local authorities' financial sustainability against a background of changes to their funding. It has three parts:

- Funding local authority services - setting out the background to the current funding arrangements and the reduction in local authority funding from the government's 2010 spending review
- Local authority budget management - setting out how local authorities have responded to their reduced income
- Maintaining financial sustainability - covering the growing challenges to local authorities' financial sustainability, managing financial risks and opportunities, and the increasing need for central government to make informed decisions as financial and service pressures increase.

Some of the key findings were:

- so far, local authorities have absorbed reductions in central government funding but there is some evidence that services have been reduced
- local authorities may find it harder over the rest of the spending review period to absorb funding reductions and maintain services
- local authorities' ability to make savings while maintaining service levels depends on local circumstances
- by reducing ring-fencing of its grants, central government aims to give local authorities greater spending flexibility
- the government is making changes that create financial opportunities for local authorities but also increase their financial risks and uncertainty, for example, the partial localisation of business rates and the arrangements for council tax benefit
- the accountability framework for local government to address widespread financial failure is untested.

Issue for the Council to consider:

- Can your authority learn from how other local authorities have responded to their reduced income?

Emerging issues and developments

Local government guidance

Pay policy statements

The Secretary of State for Communities and Local Government has issued [supplementary guidance on pay policy statements for 2012/13](#) which highlights:

- members should ensure that pay policy statements are set out clearly, that they fully address all of the requirements of the Localism Act 2011 and accompanying guidance, and are accessible.
- full Council should be given the opportunity to vote on salary packages of £100,000 or more. Those authorities who may not have senior posts over £100,000 should seek to achieve the same degree of openness and accountability by adopting a lower threshold for votes, appropriate to their local circumstances.
- full Council should also be given the opportunity to vote on severance payments over £100,000.
- where councils have directly elected mayors, they would involve the directly elected mayor and have regard to any proposals the mayor may have before the statement is considered and approved.

Issue for the Council to consider:

- Have you considered how to improve the clarity and value of the information your authority is publishing?

Emerging issues and developments

Local government guidance

Councillors on the frontline

The government has responded to the [Select Committee report](#) on the role councillors play in the community.

Some of the matters raised by the Select Committee were as follows:

- In supporting their communities, councillors should be working closely with external organisations and providers of public services.
- It urges all councils to consider how best to provide support to their councillors and assist them to ensure they have an active role in their communities.
- It is a matter of concern that the composition of many councils does not reflect that of the communities they serve.
- Local authorities should be actively promoting democratic engagement and explaining to the public what the role of a councillor entails.
- encourage local authorities to put in place light touch arrangements for reporting councillor performance. As part of this, councillors could be asked to complete a brief annual self-assessment to be made public in an accessible format. This should cover not only attendance at formal meetings, but also details of the work councillors have carried out within their communities.
- Encourage political parties, local authorities and other bodies to review the training they offer to ensure it meets the needs of councillors. In particular, training should reflect the changing roles of councillors, and ensure that councillors understand the implications of the Localism Act 2011 and other new legislation. Also suggest that councillors make public details of any training they have completed in the course of the preceding year. Training should be seen as a benefit, not a cost, to local taxpayers.
- Training should be provided to potential candidates before they stand for election, to give them some knowledge of what they can expect
- Councillors should be at the centre of community life, well known and respected by those they represent, and empowered to effect change within their local areas.

Issues for the Council to consider:

- What can your authority do to improve the role played by councillors in the community?
- Has your authority developed an action plan?

Emerging issues and developments

Local government guidance

Draft local audit bill

The Draft Local Audit Bill was published last year to enable consultation and pre-legislative scrutiny. In January, the Draft Local Audit Bill ad hoc Committee published 'Pre-Legislative Scrutiny of the Draft Local Audit Bill'. The Committee concluded that a number of areas required further examination – most significantly the independent appointment of auditors. The Government plans to introduce the new regulatory regime in 2015/16.

The proposals include the following:

- The Financial Reporting Council will act as the overall regulator for auditors and the National Audit Office will set the code of audit practice.
- From 1 April 2017, local government bodies will appoint their own auditors, in consultation with an independent auditor panel.
- In addition to giving their opinion on the financial statements, auditors will continue to have wider responsibilities. These include considering the arrangements for securing economy, efficiency and effectiveness in their use of resources and having the duty to report in the public interest.

The draft bill is still to go through Parliament for approval.

Issue for the Council to consider:

- Have you considered how the proposed audit arrangements under the Draft Local Audit Bill will affect you?



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The Audit Plan for Exeter City Council

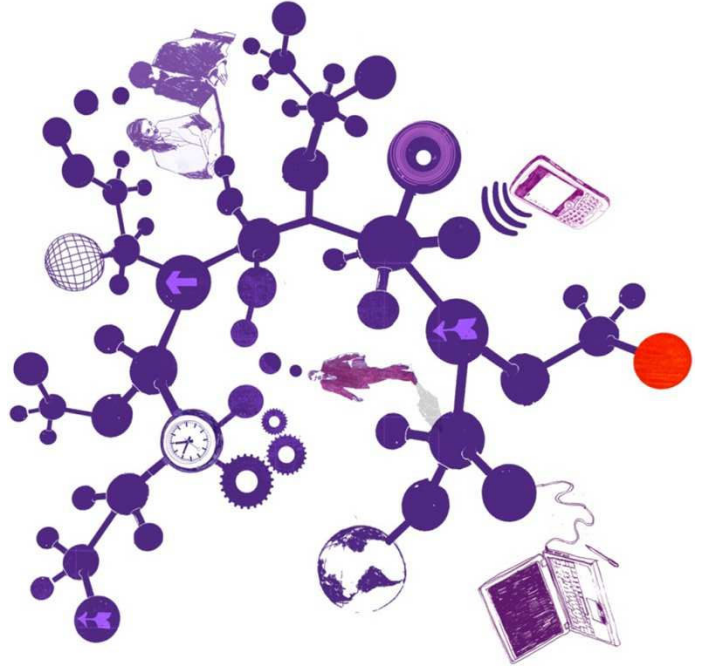
Year ended 31 March 2013

April 2013

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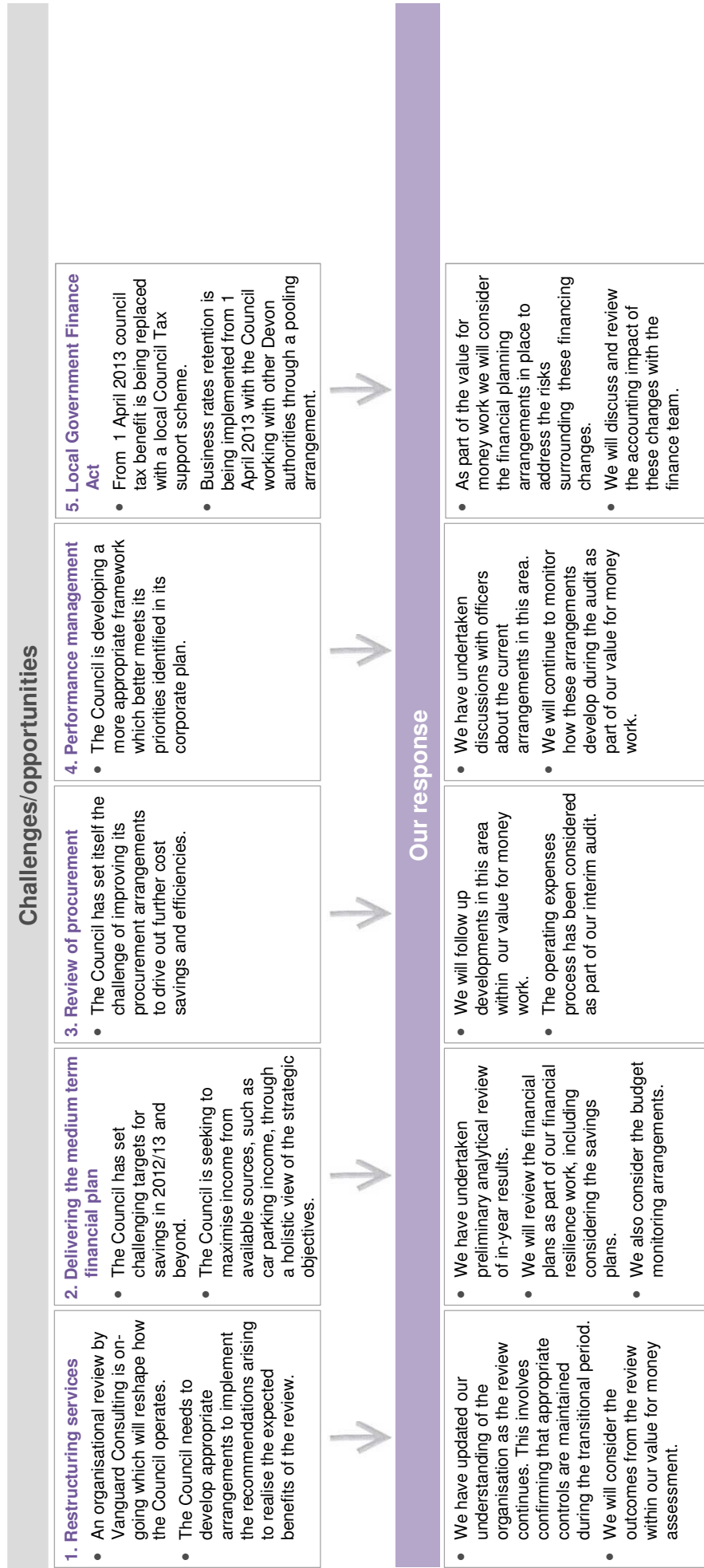
1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Results of interim work
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance

Appendices

- A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



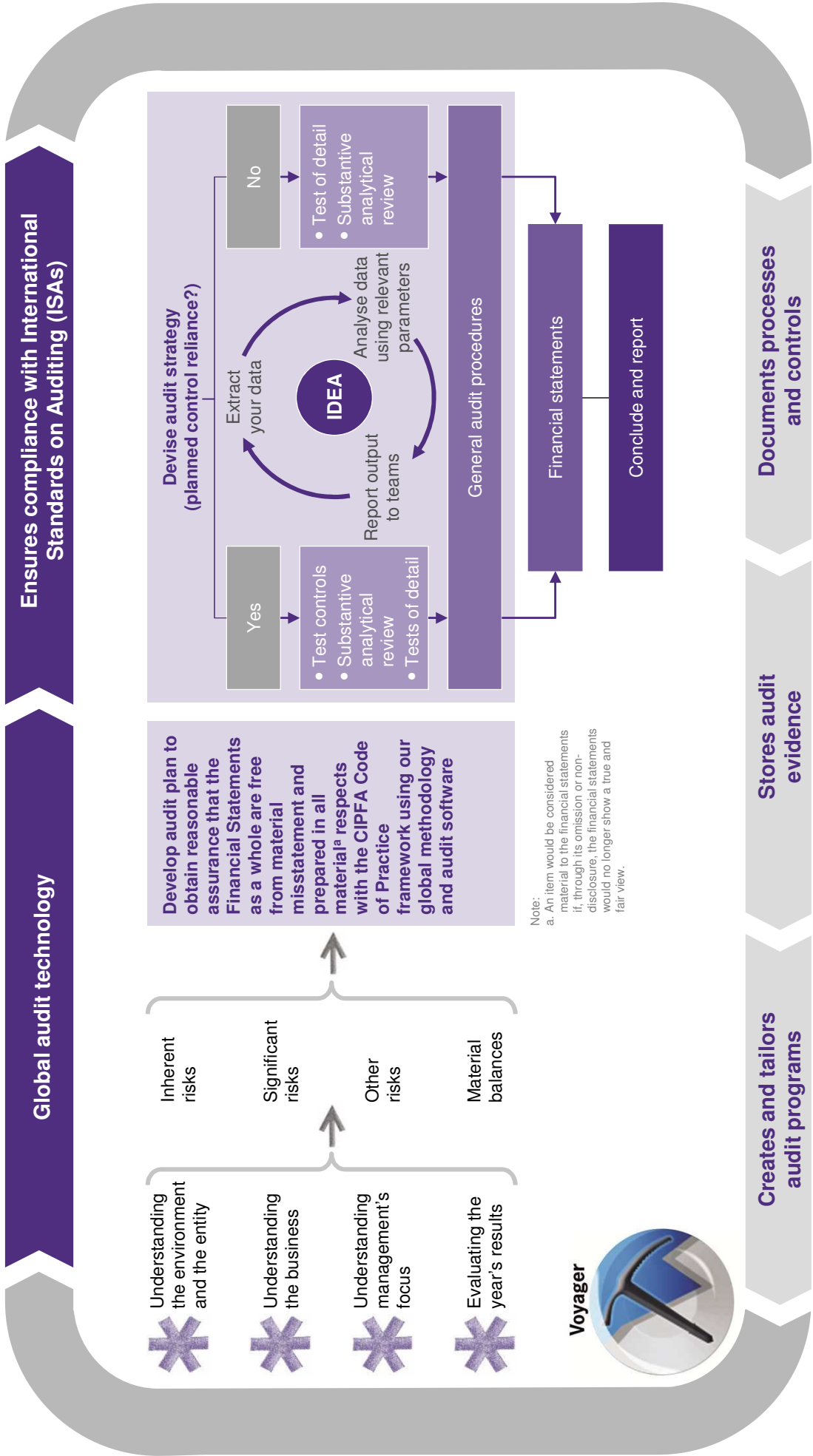
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements			
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Recognition of grant conditions and income • Self financing Housing Revenue Account 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement 2012/13 • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> • Planning for the impact of 2013/14 changes to the Local Government Pension Scheme (LGPS)
	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required 	

Our response		
<p>We will ensure that</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing • grant income is recognised in line with the correct accounting standard 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge
<ul style="list-style-type: none"> • We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – Housing revenue	Yes	HRA	Medium	Other	Housing revenue transactions not recorded	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	Yes	Property, Plant and Equipment	Low	None		✓
Payments to Housing Capital Receipts Pool	No	Property, Plant & Equipment	Low	None		×
Precepts and Levies	Yes	Council Tax	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	Yes	Borrowings	Low	None		✓
Pension interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		✗
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Impairment of investments	Yes	Investments	Low	None		✓
Investment properties: Income expenditure, valuation, changes & gain on disposal	Yes	Property, Plant & Equipment	Low	None		✓
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
Other Government grants	Yes	Grant Income	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		✗
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	PPE activity not valid	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	Revaluation measurements not correct	✓
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✓
Intangible assets	No	Intangible assets	Low	None		✗
Investments (long & short term)	Yes	Investments	Low	None		✓
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		✗
Inventories	No	Inventories	Low	None		✗
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	Yes	Provision	Low	None		✓
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work planned:</p> <ul style="list-style-type: none"> Review and testing of revenue recognition policies Testing on material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review of accounting estimates, judgments and decisions made by management <p>Further work planned:</p> <ul style="list-style-type: none"> Testing of journal entries Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses and creditors	Operating expenses/creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Review of internal financial controls relating to operating expenses and creditors 	<ul style="list-style-type: none"> Testing of material expenditure streams for the remainder of the 2012-13 financial year Testing of significant creditor balances Review of after date payments to ensure all liabilities identified
Employee remuneration	Remuneration expenses understated	<ul style="list-style-type: none"> Review of internal financial controls relating to employee remuneration 	<ul style="list-style-type: none"> Substantive testing of employee remuneration expenditure
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> Review of internal financial controls relating to welfare expenditure 	<ul style="list-style-type: none"> Completion of housing and council tax benefits subsidy certification.
Housing Rent Revenue Account	Revenue transactions not recorded	<ul style="list-style-type: none"> Review of internal financial controls relating to HRA rental revenue 	<ul style="list-style-type: none"> Testing of HRA rental revenue
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> Review of internal financial controls relating to PPE additions and disposals 	<ul style="list-style-type: none"> PPE is primarily a year-end process therefore our walkthrough will be undertaken after 31 March. Substantive testing of PPE additions and disposals
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> Review of internal financial controls relating to PPE valuations 	<ul style="list-style-type: none"> PPE is primarily a year-end process therefore our walkthrough will be undertaken after 31 March. Review of accounting entries in respect of any revaluations to ensure they are fully and accurately reflected in the accounts

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Exeter Canal and Quay Trust Ltd	Yes	Targeted	Cash balance is significant	Specific (targeted) scope procedures to be performed on cash balance, in addition to desktop review.
Exeter Science Park Ltd	No	Analytical	N/A	Desktop review .
Exeter Business Centre Ltd	No	Analytical	N/A	Desktop review.

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement

	Work performed	Conclusion/Summary
<p>Internal audit</p>	<p>Last year we reviewed Internal Audit's overall arrangements against the CIPFA Code of Practice, concluding that the Internal Audit service continues to provide an independent and satisfactory service to the Council and we were able to take assurance from their work in contributing to an effective internal control environment at the Council.</p> <p>Our prior year interim report included a number of recommendations. We have followed up these recommendations as part of our interim work by reviewing two of Internal Audit files: Payroll and Housing Tenancy.</p>	<p>Internal Audit have implemented a number of improvements to their working practices, including the completion of pre-audit checklists which assist in scoping the audit. To further enhance these arrangements, we recommend that the pre-audit checklists should be completed for all audits, including consultancy and ad-hoc pieces of work.</p> <p>Internal audit's work is divided into sections and, when combined, these provide a comprehensive understanding of a system. However, walkthroughs of systems have not been undertaken. Whilst we note that changes to the system should be identified through the pre-audit checklists, we recommend that walkthroughs are undertaken to confirm Internal Audit's understanding of all significant systems.</p> <p>Reports are produced using a standard format. Internal Audit's manual is currently being updated and we recommend that the new version should include guidance on wording of the opinion and the section on ranking of recommendations should be refreshed.</p> <p>Sample sizes are based on guidance. However, samples do not always cover the full period under review and are often limited to one month. We recommend that samples are selected from the entire period covered by the audit.</p> <p>We selected two Internal Audit files and we identified that both had evidence of review. However, whilst there was evidence of review of the reports this was not apparent for the supporting audit work. We recommend that all underlying audit work should also be reviewed and evidenced as such.</p>

Results of interim audit work (continued)

	Work performed	Conclusion/Summary
Walkthrough testing	<p>Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. These relate to:</p> <ul style="list-style-type: none"> • Property, plant and equipment • Employee remuneration • Operating expenses and creditors • Welfare expenditure • HRA rental revenue 	<p>During 2012/13 the welfare expenditure process was redesigned. One of the main tenets of the new approach was that staff are not checked and/or monitored. On this basis the team abandoned the checking of benefits claims. However, checking has since been reintroduced. As at 12/3/13 there were some 6,150 new claims and around 39,000 change of circumstances, but only 1,200 (2.7%) had been checked. We recommend that the level of checking is reviewed to confirm the Council is satisfied that it has sufficient assurance to minimise the risk of error within the subsidy claim.</p> <p>No other significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding.</p>
Review of information technology (IT) controls	<p>A high level review of the general IT control environment is planned to be undertaken by our information systems specialist in June 2013.</p>	<p>Following completion of this work, we will confirm whether there are any material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Journal entry controls	<p>In previous years we have recommended that the Council introduce a mechanism to ensure journals above a pre-determined threshold are authorised. Without an authorisation process in place, there remains a risk to the Council that inappropriate or erroneous journals could be processed that might impact on the financial statements.</p> <p>We understand that the system itself does not allow for inbuilt authorisation thresholds. Therefore we recommend that journal data is extracted from the system and filtered based on pre-determined thresholds. This would then facilitate effective review and authorisation. We have discussed this recommendation with the Finance Manager during the interim audit.</p>	<p>As noted in previous years, journal entries are currently not being authorised. We recommend that the 2012/13 journals are filtered, and those exceeding predetermined thresholds are reviewed and authorised by the Finance Manager. Alternatively, a sample based approach could be introduced covering all journals. As part of our final accounts visit we will follow up with the Finance Manager whether such a control has since been implemented.</p> <p>As part of our final accounts visit we will also undertake detailed testing on journal transactions by extracting 'large and unusual' entries .</p>

Results of interim audit work (continued)

	Work performed	Conclusion/Summary
Risk Register	<p>To consider the Council's overall control environment we reviewed a copy of the latest risk register. While the Council does have a risk register in place, this has not been updated since March 2012. Without an up to date risk register in place there is a risk that reporting is insufficient to ensure 'Those Charged With Governance' are fully informed of the current status of the risks to the Council. As the Council is in the midst of a significant restructuring process there is the potential for significant emerging risks and therefore such registers are important to the control environment.</p> <p>We understand that the Council is planning the imminent introduction of a revised risk identification and reporting process.</p> <p>Operational risk registers are in place for some services. However this is not consistent across the organisation and is also currently under review.</p>	<p>We recommend that the risk register is refreshed, formally reported and thereafter regularly brought before the Scrutiny Committee.</p> <p>We note that the Council is currently reviewing a number of aspects of its risk management arrangements. We recommend that operational risk registers are introduced across the organisation.</p>
Comprehensive contracts register	<p>To consider all new material contracts entered into during the year we requested a copy of a comprehensive contracts register.</p> <p>Through our discussions with the Finance Manager we have confirmed that no new material contracts have been entered into in 2012/13. However, although a number of lists of contracts have been compiled by the Council for various purposes there is not a central comprehensive contracts register.</p> <p>Such a register would enable better strategic overview and could facilitate a more consistent approach to contracts. We understand that a corporate procurement review is currently being undertaken by the Council that should develop arrangements in this area.</p>	<p>We recommend that a comprehensive contracts register is compiled.</p> <p>As part of our Value for Money review, we will consider the progress being made by the Corporate Procurement Review.</p>

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Scrutiny Committee Resources.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

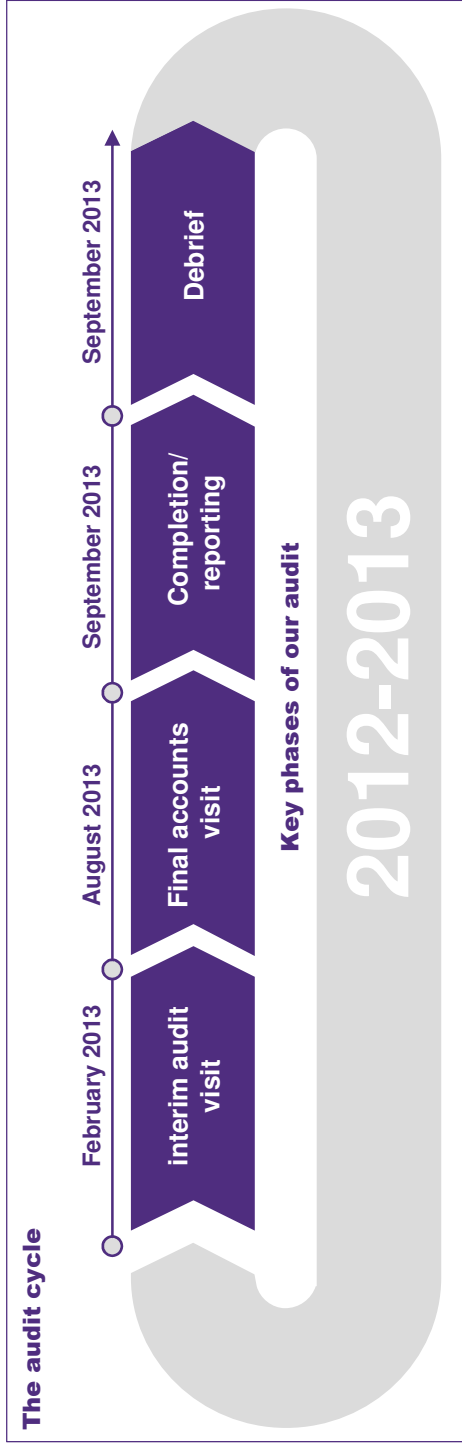
- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control. Specifically we will assess the arrangements in place to ensure financial resilience.

Logistics and our team



Date	Activity
January	Planning meeting
February	Interim site work
May	The audit plan presented to Scrutiny Committee Resources
August	Year end fieldwork commences
September	Audit findings clearance meeting
September	Final Accounts Committee meeting to report our findings
September	Sign financial statements and VfM conclusion
October	Issue Annual Audit Letter

Our team

<p>Barrie Morris Engagement Lead T 0117 305 7708 E barrie.morris@uk.gt.com</p>	<p>Sophie Harcombe In-Charge Auditor T 0117 305 7875 E sophie.harcombe@uk.gt.com</p>
<p>Nigel Timmins Audit Manager T 0117 305 7810 E nigel.b.timmins@uk.gt.com</p>	<p>Sarah Martin Executive T 0117 305 7861 E sarah.j.martin@uk.gt.com</p>

Fees and independence

Fees

	2012/13	2011/12
	£	£
Financial statements audit	76,283	127,139
Grant certification * Indicative	14,650	30,841
Total	90,933	157,980

Additional fees

	2012/13	2011/12
	£	£
Public questions, challenge and investigations	5,200	10,000

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

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 Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

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

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 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 a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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 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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
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		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Internal Audit's pre-audit checklists should be completed for all audits, including consultancy and ad-hoc pieces of work.	Medium	Agreed	Immediate Senior Auditor
2	Internal Audit's manual should be updated to include guidance on wording of the opinion and ranking of recommendations.	Medium	Agreed, we are currently reviewing a number of our working practices to meet the requirements of the PSIAS and the new Audit and Governance Committee which comes into place wef 15.05.13. Once these working practices have been agreed and implemented the Audit manual will be updated to reflect this.	March 2014 Senior Auditor
3	Internal Audit should undertake walkthroughs to confirm their understanding of all significant systems	Medium	Agreed, where appropriate and for all significant systems walkthroughs will be undertaken where resources allow	Ongoing Senior Auditor
4	Internal Audit's samples should be selected from the entire period covered by the audit.	Medium	Agreed	Immediate Senior Auditor
5	All Internal Audit's work should be reviewed and evidenced as such.	Medium	This is already done, IA has an established process in place for the review of all audit work. This finding relates to an isolated incident for which we were able to evidence that review had taken place.	

Action plan (continued)

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
6	A proportion of benefit claims that are checked should be reviewed.	High	Agreed - The level of checking has been reviewed and measures have been put in place to ensure that sufficient checks are now undertaken.	Complete Housing Benefits Manager
7	All journals in 2012/13 should be filtered, and those exceeding predetermined thresholds, or a random sample, should be reviewed and authorised by the Finance Manager.	High	Agreed	June 2013 Corporate Finance Manager
8	The risk register should be refreshed, formally reported and thereafter regularly brought before the Scrutiny Committee. Operational risk registers should also be introduced across the organisation.	Medium	Agreed - Following the senior management restructure, Zurich has completed a comprehensive review of the Council's management of risk. New arrangements for registration and monitoring of risks, and reviewing mitigating actions, are in place for regular reporting to the new Audit and Governance Committee. Further work will be undertaken on extending operational risk registers across the council.	June 2013 Corporate Manager Policy
9	A comprehensive contracts register should be compiled and maintained.	Medium	This will be considered as part of a wider 'systems' review of procurement within the Council using the Vanguard approach	December 2013 Principal Quantity Surveyor



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16 April 2013

Dear Philip

Planned audit fee for 2013/14

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2013/14 has been set by the Audit Commission at £76,283, which compares to the audit fee of £76,283 for 2012/13.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-work-programme.

The audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £15,000.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2013	19,071
December 2013	19,071
March 2014	19,071
June 2014	19,070
Grant Certification	
June 2014	15,000
Total	91,283

Outline audit timetable

We will undertake our audit planning and interim audit procedures starting in December 2013. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in September 2014 and work on the whole of government accounts return in September 2014.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2013 – February 2014	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to September 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.

Phase of work	Timing	Outputs	Comments
VfM conclusion	January to September 2014	Audit Findings (Report to those charged with governance)	As above
Financial resilience	January to September 2014	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2014	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2013/14 are:

	Name	Phone Number	E-mail
Engagement Lead	Barrie Morris	0117 3057708	barrie.morris@uk.gt.com
Engagement Manager	Nigel Timmins	0117 3057810	nigel.b.timmins@uk.gt.com
VFM/Advisory Lead	Ginette Beal	0117 3057623	ginette.beal@uk.gt.com
Audit Executive	Sophie Harcombe	117 3057875	sophie.harcombe@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact John Golding, our Public Sector Assurance regional lead partner (john.golding@uk.gt.com).

Yours sincerely



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For Grant Thornton UK LLP

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cc. Andy Stark, Assistant Director Finance

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EXETER CITY COUNCIL

AUDIT AND GOVERNANCE COMMITTEE 26 JUNE 2013

COUNCIL 16 JULY 2013

ANNUAL GOVERNANCE STATEMENT

1. PURPOSE OF THE REPORT

- 1.1 This report sets out the proposed Annual Governance Statement that will accompany the Council's Annual Statement of Accounts for 2012/13. This Statement also incorporates the Council's Code of Corporate Governance which is published on the Council's website.

2. BACKGROUND

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) has previously jointly issued a framework and guidance on delivering governance in local government. This framework illustrates best practice for developing and maintaining a local code of governance and it recommends that authorities must be able to demonstrate that they are complying with the principles of good governance.
- 2.2 The preparation and publication of an Annual Governance Statement in accordance with CIPFA/SOLACE guidance is required to comply with Regulation 4 of the Accounts and Audit (England) Regulations 2011.
- 2.3 The Council was previously required to include the Annual Governance Statement within its published Annual Statement of Accounts. Regulation 4(4) of the Accounts and Audit (England) Regulations 2011 now provides that the Annual Governance Statement is to *accompany* the accounting statements, rather than being included with the accounting statements. The purpose of this change is to make clear that the Annual Governance Statement is not part of the statement on which the auditor's opinion is given. Local Authorities do however have discretion to decide whether it should be part of the same document as the accounting statements or be issued as a separate document. It is proposed that the Council will continue with its existing arrangements by including the Annual Governance Statement within the Annual Statement of Accounts for 2012/13.

3. ANNUAL GOVERNANCE STATEMENT

- 3.1 A draft Annual Governance Statement for inclusion in the Council's Annual Accounts for 2012/13 is attached to this report.
- 3.2 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.

4. RECOMMENDATION

It is recommended that:

- 4.1 Audit and Governance Committee supports the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2012/13; and
- 4.2 Council note and approve the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2012/13.

ASSISTANT DIRECTOR FINANCE

CHIEF EXECUTIVE & GROWTH DIRECTOR

Local Government (Access to Information) Act 1985 (as amended) Background papers used in compiling this report:

Delivering Good Governance in Local Government – Guidance Note for English Authorities;
CIPFA/SOLACE 2007

EXETER CITY COUNCIL**ANNUAL GOVERNANCE STATEMENT 2012/13****1. SCOPE OF RESPONSIBILITY**

- 1.1 Exeter City Council is responsible for ensuring that its 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. It 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.
- 1.2 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, which includes arrangements for the management of risk.
- 1.3 The City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on the Council's website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.
- 1.4 In accordance with the 2012/13 Code of Practice on Accounting, the Assistant Director Finance has reviewed the authority's financial management arrangements against the governance requirements of the CIPFA Statement of the role of the Chief Finance Officer in Local Government. He is satisfied that the Council's financial management arrangements conform with each of the governance requirements.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 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 strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 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.
- 2.3 The governance framework has been in place at Exeter City Council for the year ended 31 March 2013 and up to the date of approval of the Annual Statement of Accounts. The Council supports the six core principles set out in *The Good Governance Standard for Public Services (2004)* developed by the Independent Commission on Good Governance in Public Services. The following paragraphs describe the arrangements in place to meet the six core principles of effective governance.

3. PRINCIPLE ONE - FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA

3.1 The Council aims to use resources effectively and provide high performing, value for money services that focus on customer needs.

3.2 We have a comprehensive performance management framework that supports the effective monitoring and management of performance. The main elements of our performance management arrangements are summarised below:-

- **The Exeter Vision** is the city's community strategy. It was written in consultation with key partners in the city. It sets out the priorities for the city.
- The Council's **Priorities** support the themes of the Exeter Vision. They are reviewed regularly.
- Each service compiles a **Service Plan**, which identifies its key priorities for the forthcoming year. They identify ways of increasing service contribution to the Council's priorities.
- Each member of staff has an **Annual Personal Appraisal** where they review performance against targets and set objectives for the forthcoming year.
- The availability of quality, timely, accurate and comprehensive performance information is critical for the Council's decision-making process. **Performance indicators** are used to inform decisions on the allocation of resources and the setting of priorities and targets. They are also used to compare the Council's performance with other councils and to enable external bodies and the public to scrutinise the effectiveness of the various services that are provided. The Council uses a combination of statutory, local and management indicators to monitor performance.
- Directors regularly review performance indicator results and progress against planned actions. These are also reviewed every six months by Scrutiny Committees. The Council uses integrated performance management software to help focus on managing performance as well as reporting on it. Performance information is available to all officers and Members on a regular basis.
- Finally, the website and the Exeter Citizen are used to communicate performance to the public. A summary of our key achievements and overall performance is distributed to all households in Exeter with Council Tax bills.

3.3 A range of financial management measures are in place to ensure the effective use and management of resources including: -

- A medium-term financial plan covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements.
- A Capital Strategy that aims to ensure that investment is linked to Strategic Objectives. Bids for capital and other asset management funding require an effective 'business case'

linked to Strategic Objectives, and progress in delivering projects is formally monitored by Councillors and Directorate Management Teams.

- Financial stewardship is reported to Councillors quarterly, and is considered regularly by Directorate Management Teams. This is supported by an established budget monitoring process by managers and Accountancy staff.
- Standing Orders and Financial Regulations contained within the Council's Constitution set out the overall framework that governs the management of the Council's finances.

3.4 The Council operates a complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve.

4. PRINCIPLE TWO - MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES

4.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. This is contained in the Council's Constitution which sets out how the Council operates and how decisions are made. In particular it sets out a clear statement of the roles of committees, the full council, members and senior officers.

4.2 The Constitution also includes a Member/Officer Protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.

4.3 All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. The Resources Scrutiny Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management and internal control arrangements.

4.4 The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and chairs the Strategic Management Team.

4.5 The Assistant Director Finance, as the s151 Officer, carries overall responsibility for the financial administration of the City Council.

4.6 The Monitoring Officer (Corporate Manager Legal Services) carries overall responsibility for regulatory compliance.

4.7 When working in partnership the Council will ensure that:-

- Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council
- Representatives understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.

5. PRINCIPLE THREE - PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR

5.1 To ensure that members and officers exemplify good standards of behaviour the Council has in place appropriate codes of conduct. These clearly set out the standards of conduct and personal behaviour expected of members and officers. In particular, the codes put in place

arrangements to ensure that members and officers of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.

5.2 The Council takes fraud, corruption and maladministration very seriously and has in place the following which aim to prevent or deal with such occurrences: -

- Anti-fraud and Anti-corruption Strategy
- Whistle Blowing Policy
- Human Resources Policies and Procedures regarding the disciplining of staff involved in such occurrences
- Fraud reporting facility on the website

5.3 The Council has a Standards Committee to advise the City Council on the adoption of Codes of Conduct with the aim of promoting and maintaining high standards of conduct by members and officers and the subsequent monitoring and updating of the codes.

5.4 The Council has a complaints procedure in place to receive and investigate any complaints that are made.

6. PRINCIPLE FOUR - TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK

6.1 The Council's Constitution sets out how the Council operates and the processes for policy and decision making.

6.2 The full Council, comprising 40 Members, meets several times each year to decide the Council's overall policies and set the budget. In addition to recommending major strategies to the Council, the Executive is responsible for the most significant and day to day decisions which are not delegated to officers. There are three scrutiny committees which scrutinise the work of the Executive and the Council as a whole. They consider issues and review services within their remit and make recommendations to the Executive and the Council on its policies, budget and service delivery issues. Scrutiny Committees also monitor the decisions of the Executive and can in certain circumstances "call-in" a decision which has been made but not yet implemented.

6.3 The Forward Plan, which is published on a monthly basis, identifies key decisions which are likely to be made, either by the Executive or the Council, in the following four month period.

6.4 Other decisions are made by officers under delegated powers. The list of decisions made by officers in consultation with portfolio holders is maintained by Member Services, to whom completed delegated powers forms are sent. The decisions are also recorded on the Council's intranet. A record of delegated decisions in relation to staffing matters is maintained by Human Resources.

6.5 Policies and procedures governing the Council's operations include:-

- Financial Regulations and Standing Orders
- Data Protection
- Corporate Procurement
- Risk Management
- Freedom of Information
- Business Continuity

- 6.6 Internal Audit is an independent appraisal function that reviews all of the Council's activities, both financial and non-financial. Internal Audit provides a service to the whole Council in order to provide assurance on the arrangements for risk management, internal control and corporate governance, and to provide advice to support achievement of best practice.
- 6.7 Exeter City Council is committed to the effective management of risk at every level within the Council. A Risk Management Policy has been established that states the Council's objectives, approach, procedures and responsibilities. To support the policy, risk management procedures have been produced that explain how the Council's risk management process works. The procedures show the various documents used, and explain how the risk analysis form should be completed. The Council's risk management process is audited on a regular basis by its Internal Auditors using the enhanced systems based auditing approach they devised.
- 6.8 The Council maintains a corporate risk register but for reporting purposes it also maintains a summary risk register that does not include the 'low' risk ratings. Its purpose is for reporting half-yearly to the Scrutiny Committee - Resources the 'High' and 'Medium' risks, mitigating actions agreed and taken, etc. so that risk management progress can be monitored. Reports are also made to the Executive and the other two Scrutiny Committees on an annual basis.
- 6.9 Financial management processes and procedures are set out in the City Council's Financial Regulations and include the following:-
- Financial Management Responsibilities
 - Financial Planning
 - Control of Expenditure and Income
 - Banking Arrangements
 - Disposal of Assets
 - Insurance
 - Orders and Payment for Goods, Work or Services

7. PRINCIPLE FIVE - DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS

- 7.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new members and officers undertake an induction to familiarise them with the policies, procedures, values and aims of the Council. The Council has also signed up to the South West Charter for elected Member Development.
- 7.2 There is a Councillor Development Framework which broadly outlines the skills and knowledge required by Councillors to perform their different roles and provides an indication of how they might carry them out effectively. It is not intended to be exhaustive or prescriptive but to provide a structure for officers to develop learning & development programmes and act as a prompt for new and existing Councillors to identify areas where they need support. This support could be in the form of information, training, facilitated workshops, coaching and mentoring, or opportunities to learn from observation. The framework is designed to be flexible, so that Councillors can work with officers to identify the most effective methods to meet learning development needs.
- 7.3 The Council has also developed its own Councillors' Information Portal. This gives members access via the intranet to a wide range of information on a range of key topics.

7.4 The Council recognises that the quality of the services provided by the Council depends on the quality of its employees. The Appraisal and Development Scheme is the way in which employees and their managers can identify their training and development needs and one way in which managers can talk to their staff about their work and the work of the Council.

7.5 A full programme of training and development is available to all managers to provide them with the understanding, knowledge and skills to carry out their managerial responsibilities effectively. This is managed centrally to achieve cost savings while enhancing equality of opportunity of accessing resources.

8. PRINCIPLE SIX - ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

8.1 As a community leader the City Council works with numerous partners to contribute to the overall quality of life in the city, but it is also concerned with providing the highest quality public services and the widest access to those services. Individual services are continuously assessing service levels and making improvements in line with legislative requirements and customer feedback.

8.2 The Council has a continuous programme of consultation and engagement with its residents and communities which informs its activity. A range of methods are employed to ensure that it hears the views of all our residents. These include:

- Wavelength - a citizens' panel which is made up of 1000 people representing all sections of the community.
- Community Forums – these give all citizens the chance to talk to the Council and partner agencies about issues that concern them.
- Surveys – used to obtain detailed feedback about services.
- Focus groups – used to obtain detailed feedback about services.
- Exhibitions and roadshows – used to launch new ideas and initiatives.

9. REVIEW OF EFFECTIVENESS

9.1 The City 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 managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and also by comments made by the external auditors and other review agencies and inspectorates.

9.2 The processes for maintaining and reviewing the effectiveness of the governance framework are: -

- Executive is responsible for considering overall financial and performance management and receives comprehensive reports throughout the year.
- Scrutiny Committee Resources monitors the overall financial performance of the Council and also discharges the functions of an audit committee including monitoring the effectiveness of risk management. Risk management reports and financial stewardship

reports are also presented to both Scrutiny Committee Economy and Scrutiny Committee Community as appropriate.

- Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks
- Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks
- Annual service planning to align service development against Strategic Objectives
- The Monitoring Officer provides assurance that the Council has complied with its statutory and regulatory obligations
- Half-yearly reports to the Council's Scrutiny Committee - Resources on the work of and recommendations made by the Internal and the External Auditors
- 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, update of the Council's Financial Regulations and Standing Orders

10. SIGNIFICANT GOVERNANCE ISSUES

10.1 The following steps have been undertaken during the year to further improve our Corporate Governance Arrangements: -

- Reviewed the Council's corporate priorities following the new organisational structure.
- Revised the performance framework.
- Established a Member Working Group to review the current operation of scrutiny within the Council.
- Addressed recommendations made by the Council's external auditors in their Annual Audit and Inspection Report and other reports as appropriate.

As a result of a review of our overall arrangements, the following have been identified as actions over the coming year: -

- Implement the recommendations of the Scrutiny Review Member Working Group including the establishment of an Audit and Governance Committee
- Address recommendations made by the Council's external auditors.
- Review and address areas of concern highlighted in the Annual Report of Internal Audit namely:-

Separation of Duties – continues to be an area of concern with considerable changes to the structure of the Council as it transforms the way in which services are delivered as there are risks that systems of internal control and separation of duties could be significantly weakened resulting in likely increase in fraud, irregularities and errors. It is therefore important that processes and changes are effectively managed to ensure that internal controls are not compromised.

Data Quality – during the year internal audit have identified data quality issues, some more significant than others. Data errors can have a financial impact on the Council and it is important that managers remind staff of the importance of accurate data input.

11. CERTIFICATION

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Signed:

Date:

Date:

Chief Executive

Leader of the Council

EXETER CITY COUNCIL

AUDIT AND GOVERNANCE COMMITTEE 26 JUNE 2013

INTERNAL AUDIT CHARTER

1. PURPOSE OF THE REPORT

- 1.1 This report sets out the requirement for the Internal Audit Charter, the purpose of which is to define what Internal Audit is and explain its purpose, authority and responsibility.

2. BACKGROUND

- 2.1 The Internal Audit service previously worked to CIPFA's Code of Practice for Internal Audit in Local Government. This standard was replaced with the Public Sector Internal Audit Standards (PSIAS) from 1 April 2013.
- 2.2 The objectives of the PSIAS are to:
- define the nature of internal auditing with the UK public sector
 - set basic principles for carrying out internal audit in the UK public sector
 - establish a framework for providing internal audit service, which add value to the organisation, leading to improved organisational processes and operations, and
 - establish the basis for the evaluation of internal audit performance and to drive improvement planning
- 2.3 Section 5 1000 of the PSIAS states that 'the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the PSIAS *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

3. INTERNAL AUDIT CHARTER

- 3.1 As a result of the changes above, the Internal Audit Charter has now been reviewed and updated to meet the requirements of the PSIAS and a draft is attached to this report. This was reviewed and approved by the Strategic Management Team on 14 May 2013.
- 3.2 The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. It establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the Audit and Governance Committee.
- 3.3 In addition to the above, for public sector bodies the charter must also:
- define the terms 'board' and 'senior management' for the purposes of internal audit activity
 - cover the arrangements for appropriate resourcing
 - define the role of internal audit in any fraud-related work, and
 - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities

4. RECOMMENDATION

It is recommended that:

- 4.1 the Audit and Governance Committee approve the Internal Audit Charter
- 4.2 the Internal Audit Charter is reviewed and approved once every two years by the Audit and Governance Committee, as required by the PSIAS.

Helen Kelvey and Helen Putt
Senior Auditors

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:

None

Exeter City Council

Internal Audit Charter

1. Introduction

1.1 The purpose of this charter is to define what Internal Audit is and explain its purpose, authority and responsibility

1.2 For the purposes of internal audit activity the following terms are defined as follows:

‘board’ – the Audit and Governance Committee

‘senior management’ – the Senior Management Team which is made up of the Chief Executive and Growth Director, Deputy Chief Executive and Assistant Directors.

2. Purpose, Scope and Authority

2.1 Purpose

The Public Sector Internal Audit Standards 2013 (PSIAS) defines Internal Audit as:

“... 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 evaluate and improve the effectiveness of risk management, control and governance processes”

2.2 Scope

Financial Regulations 6(a) states:

‘Internal Audit may investigate such financial records, systems and management procedures of the Council and its employees as considered necessary for the purposes of audit. For this purpose Internal Audit shall have authority at all reasonable times to visit all Council establishments and have access to all records and property of the Council and may require such explanations/assistance as he/she considers necessary’

2.3 Authority

The authority of the internal audit function is derived from legislation. The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which required that authorities shall *‘make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs’*. The Accounts and Audit (England) Regulations 2011 requires that *‘A local government body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control’*. Exeter City Council has delegated these responsibilities to the Assistant Director Finance.

3. Objectives

3.1 Internal Audit’s main objectives are to:

- provide a quality, independent and objective audit service that effectively meets the Council’s needs, adds value, improves operations and helps protect public resources
- provide assurance to management that the Council’s operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
- provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes
- provide advice and support to management to enable an effective control environment to be maintained

- promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud
- investigate allegations of fraud, bribery and corruption

4. Roles and responsibilities

4.1 Role of Internal Audit

To meet Internal Audit objectives, Internal Auditors are responsible for:

- reviewing and assessing the soundness, adequacy and reliability of financial and non-financial management
- reviewing and assessing the effectiveness of internal controls and making recommendations for improvement, where appropriate
- reviewing and assessing procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed
- checking for compliance with legislation, Council policies and procedures
- promoting and assisting the Council in the effective use of resources
- undertaking independent investigations into allegations of fraud and irregularity in accordance with Council policies and procedures and relevant legislation

4.2 Provision of the Internal Audit Function

The Internal Audit Function is provided 'in house' and consists of the Audit Manager, 2 full-time auditors and 1 part-time auditor.

4.3 Management Structure

Internal Audit is part of the Office of Assistant Director Finance. However, in order to maintain its independence Internal Audit has a right of access to the Chief Executive and Growth Director and/or the Leader of the Council and/or the Chair of the Audit and Governance Committee should circumstances warrant such. In addition, there is a right of access to Councillors as a matter of last resort. Internal Audit does not carry out any non-audit functions.

4.4 The Audit Manager is responsible:

- in managerial terms to the Assistant Director Finance
- for the performance of the Internal Audit Service to the Audit and Governance Committee

4.5 The Audit Manager's responsibilities to the Audit and Governance Committee include:

- presenting for approval the internal audit charter
- presenting and obtaining approval of the risk-based annual audit plan
- reporting quarterly on the work undertaken by Internal Audit
- reporting any serious weaknesses found in the internal control systems, and any instances where corrective action has not been taken by management
- reporting any instances where responses to audit reports have not been received within a reasonable timescale of the issue of draft and/or final audit reports, and any instances where agreed Audit recommendations have not been actioned within an acceptable time period
- providing an annual audit opinion of the overall adequacy and effectiveness of the Council's internal control environment

4.6 The Audit and Governance Committee responsibilities are in accordance with the committee's terms of reference

5. Code of Ethics

5.1 The Internal Audit Service operates in accordance with the Public Sector Internal Audit standards 2013 (PSIAS) by:

- ensuring that all internal auditors conform to the Code of Ethics principles of integrity, objectivity, confidentiality and competency
- implementing the Attribute and Performance Standards as detailed in Section 5 of the standard

5.2 Internal Audit staff are required to make an annual affirmation of their knowledge of, and compliance with, the PSIAS Code of Ethics and must also have regard to the Committee Standards of Public Life's *Seven Principles of Public Life*.

6. Service Standards

6.1 What you can expect from us:

Internal Auditors will, at all times, exercise due professional care, act with integrity and take a professional, reliable, independent and innovative approach to their work.

It is essential that Auditors are impartial so that when an audit opinion is requested it will be unbiased and based upon the facts available. Should a situation arise where impartiality could be questioned, then another Auditor will be assigned to undertake the task concerned.

Where an auditor was previously employed within a service/area subject to audit then the Audit Manager will ensure that the auditor concerned is not assigned audits in that area until an appropriate amount of time has elapsed.

6.2 Audit Strategy

The Audit Manager prepares a risk-based audit strategy and translates this into a four year rolling plan that shows cyclical coverage of non-fundamental audits. Where there is a difference between the strategy/plan and resources available, this is reported to the Audit and Governance Committee

6.3 Annual Audit plan

To implement the audit strategy, an annual audit plan is established using a risk-based assessment methodology. The plan determines in broad terms the resources and skills needed, and is used for allocating Auditors' work. Should the plan indicate a need for additional resources, this will be discussed with the Assistant Director Finance. Assistant Directors/Corporate Managers are consulted on the plan during the planning process and asked if there are any areas or work they wish specifically to be incorporated into the audit coverage. The plan is then presented to senior management for approval prior to being approved by the Audit and Governance Committee in March each year. The plan is flexible and includes a contingency to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc.

6.4 What we expect from you

Managers and staff should co-operate with the Auditors, and responses should be made to draft reports within 10 working days of issue of report. Where a response is not forthcoming a reminder will be issued. However, if a response is not received then the matter will be referred up to the next level of management, and ultimately to the Assistant Director/Corporate Manager, Chief Executive and Growth Director, Deputy Chief Executive, as appropriate.

7. Reporting

7.1 Audit reports

Audit reports:

- show the findings based on a risk assessment e.g. high, medium and low or may be advisory (a finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice)
- include an action plan showing the agreed actions and the target date for implementation
- give an opinion of the system as at the time of the audit and an opinion based on the agreed recommendations being implemented
- define the circulation of the draft and the final reports

7.2 Audit report circulation/Reporting structure:

- Line managers receive a draft report for discussion followed by the final report
- Assistant Directors/Corporate Managers receive a copy of all final reports within their service
- Chief Executive and Growth Director receive a copy of all final reports
- Assistant Director Finance receives a copy of all reports for information

7.3 Reporting standards

Upon completion of audits, draft audit reports are issued to the relevant line managers for them to confirm the accuracy of the audit findings. Managers are invited to contact the Auditor if they wish to discuss the report and asked to show their response to each recommendation on the draft report. For accepted recommendations, dates for action or implementation are recorded in the report and the action plan. The managers' responses are recorded in the final reports.

In accordance with professional standards, after three months from the date of issue of the final report, follow-up audits are undertaken to ensure that the agreed controls and actions have been implemented. Where the implementation date for the recommendation is beyond three months, then the follow-up will be due at three month intervals, as appropriate.

Any agreed recommendations not implemented within a reasonable timescale and any 'high' risk recommendations that are not accepted will be reported to the Audit and Governance Committee in accordance with the committee's terms of reference.

Internal Audit works to the reporting quality standards of:

- draft audit reports to be issued within 10 working days of the completion of the results table
- final audit reports to be issued within 10 working days of the discussion of the draft audit report
- final reports to be followed-up within 3 months of the date issue of the final audit report, to ensure that the accepted recommendations due for implementation have been established

8. Quality assurance

8.1 The Audit Manager will maintain a process of review of the Internal Audit Service to provide reasonable assurance that its work conforms with the relevant standards and to the requirements of this document. Internal assessments will include:

- ongoing monitoring of the performance of the service including ensuring there is adequate supervision of work performed
- periodic self-assessments on how the service meets the requirements of the Public Sector Internal Audit Standards

8.2 External assessments of the internal audit service are conducted annually by the Council's external auditors.

8.3 Internal auditors are required to enhance their knowledge, skills and other competencies through continuing professional development.

9. Relationships

9.1 General - in all of these relationships the person/s concerned will be treated with respect, courtesy, politeness and professionalism. Any confidential or sensitive issues raised with, or reported to, Internal Audit staff will be dealt with in an appropriate manner. Where issues could cause embarrassment to the Council, the appropriate manager will be advised immediately so that the issue can be addressed without delay.

9.2 Internal - the main contacts are with: Council employees, line managers, Assistant Directors, Deputy Chief Executive and the Chief Executive and Growth Director. Internal Auditors will ensure that they explain to the person/s concerned the purpose of the audit and the various stages that the audit will follow. Internal Audit will agree with the manager concerned the timing and scope of the audit and the circulation of the audit report.

9.3 Councillors – the main means of communication between Internal Audit and Councillors is via the Audit and Governance Committee which meets 4 times per year.

9.4 External – Internal audit will liaise with the external auditors in order to:

- foster a co-operative and professional working relationship
- eliminate the incidence of duplication of effort
- ensure appropriate sharing of information
- co-ordinate the overall audit effort

10. Fraud and irregularities

10.1 The Audit Manager is responsible for reviewing and updating the Council's Anti-Fraud, Anti-Bribery and Anti-Corruption Strategy and for promoting an anti-fraud culture within the Council. This is achieved by the following:

- raising awareness of fraud by providing Anti-Fraud training via an e-learning package to all existing staff and all new staff as part of their induction
- assessing the Council's level of compliance with the recommendations contained in the Fighting Fraud Locally Strategy
- specific detailed testing in high risk areas
- participation in the Audit Commission national fraud initiative data matching exercise
- provision of a fraud hotline to allow suspected fraud and irregularity to be reported by telephone/internet directly to Internal Audit either anonymously or with contact detail provided
- investigation of all areas of concern identified through routine audit, reported to management or via the Council's Whistleblowing policy.

10.2 Assistant Directors/Corporate Managers are responsible for managing risks in order to prevent fraud, irregularity, waste of resources, etc. Internal Audit will assist Assistant Directors/Corporate Managers to effectively manage these risks.

10.3 However, no level of controls can guarantee that fraud will not occur, even when the controls are performed diligently with due professional care.

10.4 Where there is evidence or reasonable suspicion that a fraud or irregularity has occurred, then this must be reported immediately to Internal Audit. All cases will be dealt with in accordance with the Council's '*Anti-Fraud, Anti –Bribery and Anti-Corruption Strategy*' and '*Whistleblowing Policy* and Internal Audit's Fraud Response Plan.

11. Review

11.1 The Internal Audit Charter will be reviewed biennially by the Audit Manager and presented to senior management and the board for approval.

EXETER CITY COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

26 JUNE 2013

ANNUAL REPORT OF INTERNAL AUDIT FOR THE YEAR ENDED 31 MARCH 2013

1. INTRODUCTION

1.1 The CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom* (2006) states that Internal Audit should produce an annual report to the Audit and Governance Committee, timed to inform the organisation's Annual Governance Statement. The purpose of the annual report is to:

- give an opinion on the overall adequacy and effectiveness of the Council's control environment
- report any qualifications to the opinion together with details for any qualification
- present a summary of the audit work undertaken that supports the opinion including reliance placed on the work undertaken by other assurance bodies
- record any issues that are considered particularly relevant

2. ROLES AND RESPONSIBILITIES

2.1 Councillors and managers

Councillors and managers are responsible for ensuring that there is an adequate and effective system of internal control in operation by establishing, for example, appropriate policies and procedures including Financial Regulations and for monitoring to ensure they are complied with.

In accordance with the *Accounts and Audit Regulations 2006* the Council is responsible for maintaining an adequate and effective system of internal audit

2.2 Internal Audit

The role and responsibilities/objectives of Internal Audit are to:

- a) review and assess:
 - the soundness, adequacy and reliability of financial, management and performance systems and data
 - the effectiveness of internal controls, and make recommendations to improve these where appropriate
 - procedures to check that the Council's assets and interests are adequately protected and risks are identified and effectively managed
- b) check for compliance with legislation, Council policies and procedures
- c) promote and assist the Council in the effective use of resources
- d) undertake independent investigations regarding allegations of fraud and irregularity in accordance with Council policies and procedures and relevant legislation

3. OPINION ON THE COUNCIL'S CONTROL ENVIRONMENT

3.1 Internal Control Statement

It is the responsibility of senior management to establish an appropriate and sound system of internal control, and to monitor the effectiveness of these systems. It is the responsibility of Internal Audit to provide an annual overall assessment of the robustness of the internal control system.

The main objectives of the internal control systems are to ensure:

- compliance with the Council's policies, procedures and directives in order to achieve the Council's objectives
- high standards of Corporate Governance are achieved and maintained throughout the Council
- that assets are safeguarded
- the relevance, reliability and integrity of information, and the completeness and accuracy of records
- compliance with statutory requirements, recognised standards and best practice.

Systems of control can only ever provide reasonable, but not absolute, assurance that control weaknesses and irregularities do not exist, and that there are no risks of material errors, losses, fraud or breaches of laws or regulations. The Council is therefore continually seeking to improve the effectiveness of its systems of internal control.

Internal Audit is charged with continually reviewing the system of internal control system on behalf of the Council and its management. Internal Audit objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit operates in accordance with the above CIPFA Code of Practice. The work of Internal Audit is based upon a risk assessment of the Council's financial and non-financial systems, from which an annual audit plan is established that was referred to the Scrutiny Resources Committee in March for approval.

3.2 Basis of Opinion

Our evaluation of the control environment is informed by a number of sources:

- the work undertaken by Internal Audit during the year to 31 March 2013
- the acceptance of significant recommendations by management
- reports issued by the External Auditors
- risks identified in the Council's Corporate risk register
- the review of the adequacy and effectiveness of the Council's system of internal control as it relates to corporate governance, risk management and quality of data arrangements
- other sources of assurance and information

3.3 Areas of Concern

As a result of the audit work that has been undertaken throughout the year a number of issues have been reported for management action. The main areas of concern that we wish to highlight are:

- a) Separation of Duties – with considerable changes to the structure of the Council as it transforms the way in which services are delivered, separation of duties continues to be an area of concern. There is significant risk that inadequate separation of duties could

weaken the system of internal control, resulting in an increased risk of fraud, irregularities and errors. Therefore, it is important that the introduction of new processes and changes to existing processes are effectively managed to ensure that internal controls are not compromised.

- b) Data Quality – during the year a number of internal audit reports identified some data quality issues, some more significant than others. The decision making process relies on accurate data and data errors can have a financial impact on the Council, therefore, it is important that managers remind staff of the importance of accurate data input.
- c) Risk Management – the risk management process is currently under review along with Business Continuity Management, however, there is currently no process in place to review corporate risks and the Corporate risk register has not been reviewed and updated since March 2012. Therefore, current risks facing the Council may not have been considered and mitigated.

3.4 **Opinion**

From the audit work undertaken during the year, and despite the areas of concern that we have identified above, we consider that the key systems are operating soundly and that there are no fundamental breakdowns of controls resulting in material discrepancy.

However, as mentioned above, as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance, this statement is only intended to provide an opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2013.

4. **RECOMMENDATION**

- 4.1 Members are recommended to note the contents of this report.

Helen Putt and Helen Kelvey
Senior Auditors
May 2013

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:

None

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EXETER CITY COUNCIL

AUDIT AND GOVERNANCE COMMITTEE 26 JUNE 2013

REVIEW OF EXISTING RISK MANAGEMENT ARRANGEMENTS

1. PURPOSE OF THE REPORT

- 1.1 To advise the Committee of the Council's proposed, revised risk management arrangements.

2. BACKGROUND

- 2.1 Risk management has always been part of the Council's corporate governance arrangements. However, the process for identifying, updating and monitoring risks has never been fully embedded throughout the Council and consequently there has been no real ownership of risk.
- 2.2 In the current climate of uncertainties around spending cuts, legislative changes and resource availability, it is felt that a more proactive 'risk aware' approach is needed to ensure that all risks to the Council are captured and managed at the earliest opportunity.
- 2.3 The transfer of Risk Management to the Corporate Manager (PC&CE) presented an opportunity to review the Council's risk management arrangements.
- 2.4 Consequently, the Council obtained specialist input from the risk management team at Zurich as part of its insurance arrangements. Zurich interviewed a number of staff involved in the existing risk management process and looked at the Council's current risk management policies and procedures as well as the Risk Register.

3. PROPOSED CHANGES TO THE RISK MANAGEMENT ARRANGEMENTS

- 3.1 As a result of the work undertaken by Zurich, a number of issues have been identified. These are outlined below and the Committee is asked to note the Council's response.

3.2 Identification of risk

Issue: A consistent approach should be applied to the identification of risk and integrated into wider practices.

Proposed response: A Policy Officer will meet with Assistant Directors, Corporate Managers and others as necessary, on a monthly basis, to discuss their future plans and projects and consider any risks that may occur as a result. The Corporate Plan and Forward Plan will also be used to identify future risks. This information will be collated and used to update the Risk Register which will then be presented to the Strategic Management Team (Performance) (see 3.3). The Risk Register will provide a complete list of all risks (low, medium and high) to the Council.

3.3 Risk reporting

Issue: The Council should consider regular risk management agenda items at appropriate management levels to foster a risk management culture and enable informed discussion and decision making

Proposed response: The Risk Register will appear as a standing item on the agenda of the Strategic Management Team (Performance) which will meet on a monthly basis. Assistant Directors and Corporate Managers will be responsible for reviewing the risk register, ensuring all risks are captured and scored correctly and for monitoring progress against specific actions.

This arrangement replaces the existing Corporate Risk Management Group. The Corporate Risk Management Group comprised a small group of officers who were responsible for updating and reviewing the Risk Register on a periodic basis.

Councillors also have an important role to play in accepting, monitoring and managing potential risks to the Council. Councillors are asked to consider how this can be achieved. Zurich has recommended that the focus of Councillors should be on the management of those risks which have been prioritised as most important to the Council (e.g. high risks). This would mean that only the top 10 to 15 risks would be reported to Committee and that less serious risks would be managed by the Strategic Management Team (Performance). However, Councillors may wish to have access to the full register at each Committee to enable a more informed discussion about risk.

3.4 Accountability

Issue: Risk owners should be held accountable for targets and controls. The former Risk Register does not allocate an owner to every action and many of the target dates were shown as ongoing.

Proposed response: All proposed actions to mitigate against a risk will be assigned an owner and a target date for completion. Progress reports will be presented regularly to the Strategic Management Team (Performance) and this Committee.

3.5 A copy of the full report produced by Zurich can be obtained from the Corporate Manager (P,C and CE).

4. **THE RISK REGISTER**

4.1 In light of the issues outlined above, it is proposed that the Risk Register and the Risk Management Policy are reviewed to reflect the proposals outlined above.

4.2 Some consideration has already been given to how the revised Risk Register could be presented and a template is included at Appendix A for Members' comments. A guidance sheet is included to explain how the risk process and register will work in practice.

5. MONITORING OF THE RISK REGISTER

- 5.1 As well as monthly reports to the Strategic Management Team (Performance), a risk report will be presented to this Committee on a quarterly basis. It is intended that the report will include a copy of the Risk Register, or the 'high risks' as agreed by this Committee, an explanation of any risk scores which have changed significantly since the last reporting period and a progress report against any actions which are due for completion during the reporting period. Councillors are asked to consider the suggested content of the report and comment on whether it can be improved or made more meaningful.

6. RECOMMENDATIONS

That the Audit and Governance Committee:

- 6.1 agree that the Strategic Management Team (Performance) is responsible for capturing risks and reporting them to this Committee;
- 6.2 determines which risks should be reported to this Committee and how the information is presented;
- 6.3 agree that a Risk Report will be presented to this Committee on a quarterly basis, and
- 6.4.1 approves changes to the Risk Management Policy and Risk Register to take account of the proposals set out in this report

Corporate Manager Policy, Communications and Community Engagement.

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None

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EXETER CITY COUNCIL - RISK REGISTER - APRIL 2013

Ref	Risk Description	Date risk identified	Risk Owner	What has been done to control the risk	Current Risk Assessment				Mitigation Actions / Controls	Mitigation Owner	Mitigation End Date	Post Mitigated Risk Assessment				Change since last review
					I	L	H	Risk Score				I	L	H	Risk Score	
13/030	Risk: Underperformance of the pension fund Impact: Increased contributions causing revenue burden	01/04/13	AD Finance	Potential increased revenue costs considered within the Medium Term Financial Plan	3	3	M	9	Government led review of fund valuation & employees' contribution levels					0		

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What is a risk?

A risk is an action or event that could have a potential impact on the Council's business because it could lead to:

- personal injury or ill health
- loss or damage to assets and property
- financial loss
- loss of reputation
- environmental damage
- failure to achieve strategic priorities
- failure to meet statutory requirements

Risk classification

A risk can be classified as:

- **Strategic** - The biggest issues affecting delivery of the council's priorities
- **Financial** - Issues that affect financial commitments or the Council's overall budget
- **Operational** - Risks connected with the internal resources, systems, processes, and employees of the council
- **Hazard** - Exogenous factors, which affect the environment in which the council operates

How to assess a risk

The risk register records the following information, all of which should be considered when evaluating a risk.

Risk and Impact - this should include a brief summary of the risk and the impact of what could happen if the risk occurred

Date risk identified - this should be the date the risk was originally identified

Risk Owner - this should be the name of the person who has overall responsibility for controlling the risk

What has been done to control the risks - this should detail any actions that have been taken to reduce the risk of the action or event happening

Current risk assessment - the risk owner must determine if the risk is High, Medium or Low by allocating a risk score. A score is calculated by firstly scoring the severity of the impact (scale 1 - 4), then scoring the likelihood of the event occurring (scale 1 - 4). These figures are multiplied together to give a Risk Score. The following tables will help to assess the severity and the impact.

Severity of impact matrix						
Score	Personal safety	Failure to provide statutory duties or meet legal obligations	Financial loss	Service disruption	Personal privacy infringement	Embarrassment or reputation
1 Minor	Minor injury or discomfort to an individual or several people	Litigation, claims or fines - Section/ Unit up to £5k	Up to 5% of budget	1 day	Isolated individual personal detail compromised or revealed	Contained within section or unit
2 Significant	Severe injury to an individual or several people	Litigation, claims or fines - Section/ Unit £5k to £10k	Up to 10% of budget	2-3 days	Some individual personal details compromised or revealed	Local public or press interest

3	Major injury to an individual or several people	Litigation, claims or fines - Section/ Unit £10k to £50k	Up to 25% of budget	3-5 days	Many individual personal details compromised /or revealed	National public or press aware
4	Death of an individual or several people	Litigation, claims or fines - Unit over £50k	Over 25% of budget	5+ days	All personal details compromised or revealed	Ass't or Strategic Director forced to resign
3	Serious					
4	Major					

Likelihood matrix			
Score	Definition	Likelihood of occurrence	Environmental event (e.g. flooding)
1 Remote	Rare/may occur in exceptional circumstances	0% to 15%	Once in 50 years
2 Unlikely	Could occur at some time	15% to 55%	Once in 20 years
3 Likely/possible	Will/might occur at some time	55% to 90%	Once in 5 years
4 Very likely	Almost certain/is expected to occur in most	90% +	Annually

Likelihood		Impact		Risk score (likelihood x impact)
Very Likely (90%+)	4	Major	4	12-16 = High
Likely/possible (55-90%)	3	Serious	3	6-9 = Medium
Unlikely (15 - 55%)	2	Significant	2	1-4 = Low
Unlikely (<15%)	1	Minor	1	

Mitigation actions/controls - This should detail any further action that needs to be taken to further reduce the risk of the action or event happening.

Mitigation Owner - The person responsible for the mitigation action

Mitigation Target date - the date when the mitigation action will be completed. This should be a specific date not 'ongoing'

Post Mitigated Score - recalculate the score using the scoring tables above

EXETER CITY COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

26 JUNE 2013

THE ROLE OF CITY HONORARY ALDERMEN

1. BACKGROUND

- 1.1 The Local Government Act 1972 Section 249, gives Local Authorities the power to appoint Honorary Aldermen as a reward to those individuals who have given the authority or the City meritorious service.
- 1.2 Most recently in Exeter, this honour has been given to a number of former Councillors who have met the criteria set down by the Council of having served at least 12 years on the Council.
- 1.3 Exeter currently has 20 Honorary Aldermen.

2. THE ISSUE

- 2.1 At the recent elections for Devon County Council, two Honorary Aldermen put themselves forward for election, with one being successful.
- 2.2 Whilst there is nothing in legislation or the Council's constitution which debars this, it has long been the convention at the Council that once an individual has been bestowed the honour of Honorary Alderman, they cease to have an active involvement in local politics.
- 2.3 Whilst in the particular case in question above, the Alderman was elected to a seat on Devon County Council, the principle of the appropriateness of being involved in local politics whilst holding a non political honorary position with the City, is, it is felt still the same.

3. THE PROPOSAL

- 3.1 Bearing the above in mind, and in particular the current lack of any mention within the Council's constitution to the position of Honorary Aldermen, it is felt appropriate to draw up a scheme specifically surrounding this position.
- 3.2 Such a scheme aims to introduce some protocols which not only protects the position of Honorary Alderman within the City, including the maintenance of the role's separation from the political arena, but also sets down the method by which any applications are to be considered and approved and how, if it is ever felt appropriate, such a position can be removed.
- 3.3 The proposed scheme is attached as Appendix A to this report.

4. RECOMMENDATION

- 4.1 That the Council be RECOMMENDED to approve the attached Scheme relating to Honorary Aldermen with immediate effect.

John Street, Corporate Manager, Democratic & Civic Support
18 June 2013

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report: None

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Exeter City Council

Exeter City Council

Scheme for the Enrolment of Honorary Alderman

Policy development and Version details

V1 June 2013

Title	Scheme for the Enrolment of Honorary Alderman
Author	John Street
Owner	Office of Democratic & Civic Support Manager
Effective from	
Review dates	
Status for FOI	Open
EIA conducted	
This policy can be made available in large print and other formats such as printed on yellow paper, taped, Braille etc. as requested.	

SCHEME FOR THE ENROLMENT OF HONORARY ALDERMAN

1. Procedure

- a) Elections to the position of Honorary Aldermen will not take place every year, and nominations will only be accepted in exceptional circumstances and in accordance with the Council's agreed scheme.
- b) Any name put forward must be proposed by a serving Member of Exeter City Council and seconded by at least one other Member of the Council.
- c) Any proposal must be submitted in writing to the Corporate Manager, Democratic & Civic Support, in order to enable informal discussion to take place with both Council Members and the proposed recipient.
- d) If, following informal consultations, it appears to the Corporate Manager, Democratic & Civic Support in consultation with the Leader of the Council, that there is majority support for the nomination he/she shall submit a report to the next Council meeting in order that the Council may indicate whether or not it wishes to offer the position of Honorary Alderman to the proposed recipient.
- e) Any election to the position of Honorary Alderman will usually take place at an Extraordinary meeting of the Council which shall be called for the purpose of enrolment of an Honorary Alderman immediately prior to any Council meeting, following the Council signifying its agreement to such an offer, and the proposed recipient signifying his consent, as set out in (c) above.

2. Qualifications Required for Enrolment

- a) The Council may, in accordance with Section 249 of the Local Government Act 1974, and the provisions of this scheme, elect a person to the position of "Honorary Alderman".
- b) An Honorary Alderman shall enjoy those rights or privileges conferred by Section 249 of the Act and this scheme.
- c) The Corporate Manager, Democratic & Civic Support shall keep a list of those who have been elected to the position of Honorary Alderman. Such a list shall be printed in the Year Book and Diary issued by the Council
- d) A person shall be deemed eligible to be enrolled as an Honorary Alderman provided that the person:
 - Is not a serving member of Exeter City Council
 - Has served as a Member of the City Council for at least 12 years in total
 - Has given exceptional service during that period

3. Method of Enrolment

- a) No person who has one or more of the above qualifications shall be enrolled automatically as an Honorary Alderman but only in accordance with the procedure set out above.
- b) Formal election to the position of Honorary Alderman shall be by a resolution of the City Council passed by not less than two thirds of the Members present and voting thereon at a meeting of the Council specially convened for the purpose.

4. Withdrawal of the title and its privileges

- a) The position of Honorary Alderman is awarded for exceptional service and is a non-political role. As such the Council considers that is inconsistent for an Honorary Alderman to be politically active. In the event of an Honorary Alderman seeking election to the City Council, or any other Council within the area, he or she shall, from the time this scheme is adopted, cease to hold the position of Honorary Alderman if he or she is still standing as a candidate immediately following the deadline for withdrawal of candidature. At that time the entitlement to such rights and privileges attached to the position of Honorary Alderman shall cease automatically.
- b) If an Honorary Alderman fails to be elected, then the rights and privileges of an Honorary Alderman shall be restored.
- c) If elected, the rights and privileges of an Honorary Alderman shall remain removed until such time as they cease to be a Councillor, when they will be restored with immediate effect.
- d) It shall be competent for the Council in any other particular case to withdraw the title of Honorary Alderman and the attached rights and privileges. Such withdrawal of the title shall be by way of formal motion to a meeting of the full Council, (the summons to which contains special notice that such withdrawal is proposed and the reason therefore) and subsequent resolution of the Council passed by not less than two thirds of the Members present and voting thereon at the meeting of the Council. On the passing of such resolution, the Corporate Manager, Democratic & Civic Support shall delete the name of the person concerned from the list of Honorary Alderman and advise that person accordingly.

5. Privileges

An Honorary Alderman shall be entitled to the following rights and privileges:

- To enjoy the courtesy title of Alderman and to be so addressed.
- In the event of the Council deciding to give some badge, robe or emblem to Honorary Alderman, to wear such badge, robe or emblem on civic occasions.
- At each meeting of the Council to have seats reserved in the public gallery for the use of Honorary Aldermen.
- To receive a copy of each Council summons and a copy of the Council Year Book and Diary.

- To received invitations to all civic and social events to which Members of the Council are invited.
- To walk in civic procession in a position immediately senior to serving Members.
- To enjoy such other privileges as the Council may confer upon them from time to time.