

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 9 March 2016
Time: 5.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Sharon Sissons, Democratic Services Officer (Committees) on 01392 265115 or email sharon.sissons@exeter.gov.uk

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

Membership -

Councillors Vizard (Chair), Laws (Deputy Chair), Baldwin, Buswell, Harvey, Henson, Lyons, Raybould, Sheldon, Thompson and Williams

Agenda

Part I: Items suggested for discussion with the press and public present

1 Apologies

To receive apologies for absence from Committee Members.

2 Minutes

To sign the Minutes of the meeting held on 2 December 2015.

3 Declaration of Interests

Councillors are reminded of the need to declare any discloseable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion on the item.

Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

4 Local Government (Access to Information) Act - Exclusion of Press and Public

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of item 11 on

the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of the Act.

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|-----------|------------------------------------------------------------------------------------------|-----------------|
| 5 | External Audit Progress Report and Technical Update | |
| | To consider the report of the Council's External Auditors KPMG. | (Pages 5 - 30) |
| 6 | External Audit Plan 2015/16 | |
| | To consider the report of the City Council's External Auditors KPMG. | (Pages 31 - 44) |
| 7 | Annual Internal Audit Plan 2016/17 | |
| | To consider the report of the Audit Managers. | (Pages 45 - 52) |
| 8 | Internal Audit Progress Report | |
| | To consider the report of the Audit Managers. | (Pages 53 - 64) |
| 9 | Code of Corporate Governance 2016/17 | |
| | To consider the report of the Assistant Director Finance (Section 151 Officer). | (Pages 65 - 72) |
| 10 | Member Complaints Procedure Update | |
| | To consider the report of the Corporate Manager - Legal Services and Monitoring Officer. | (Pages 73 - 96) |

Part II: Items for Consideration with the Press and Public Excluded

- | | | |
|-----------|--------------------------------------------------------------------------------------------------|------------------|
| 11 | Review of Corporate Governance Risk Register | |
| | To consider the report of the Corporate Manager Policy, Communications and Community Engagement. | (Pages 97 - 110) |

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 22 June 2016 at 5.30 pm

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External audit progress report and technical update

Exeter City Council
February 2016

Agenda Item 5

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

PROGRESS REPORT					
External audit progress report					3
KPMG RESOURCES					
Governance Arrangement work over the Better Care Fund					5
KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years					6
Better Care Fund Support Programme					7
Local Government Technical Update– February 2016					8
KPMG publication titled: Value of Audit: Perspectives for Government					9
TECHNICAL UPDATE					
New local audit framework	●	11	NAO report – Devolving responsibilities to cities in England: Wave 1 City Deals	●	17
Reporting developments – Infrastructure assets	●	12	Greater Manchester Combined Authority	●	18
Local Government Association’s 2015 Spending Review Submission	●	13	Care Act first-phase reforms – local experience of implementation	●	19
Accounts and Audit Regulations 2015 – Narrative statements	●	14	Public Sector Audit Appointments Ltd (PSAA) – VFM profiles update	●	20
Accounts and Audit Regulations 2015 – Exercise of public rights	●	15	Proposed changes to business rates and core grant	●	21
Consultation on 2016/17 audit work programme and scales of fees	●	16		●	
APPENDIX					
Appendix 1 – 2015/16 audit deliverables					23



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Progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Summary of work performed since last audit committee

Since the last meeting of the Audit Committee in December 2015 we have:

- Held our planning and risk assessment meeting with the Director of Finance and the finance team;
- Liaised with your in house internal auditors and have started to review their work for our interim audit.
- Completed a detailed risk assessment which included reviewing your risk register, minutes of key meetings, discussion with key officers in order to finalised our Audit Plan for 2015/16;
- Completed our interim audit which includes understanding the Authority's control environment and performing testing on your key controls; and
- Issued our Prepared by Client (PBC) list to confirm the required documentation for the financial statements audit.

Summary of work to be performed for the next audit committee

Over the next quarter we plan to:

- Finalise our interim report; and
- Agree the timing of our certification work on your housing subsidy and pooling of capital receipt grants.

Actions arising from this report

We are asking the Committee to NOTE the progress outlined above.



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KPMG resources

Area	Comments
<p data-bbox="64 325 244 475">Governance arrangements work over the Better Care Fund.</p> <p data-bbox="58 544 99 704" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 10</p>	<p data-bbox="292 325 1980 475">The £3.8 billion Better Care Fund (BCF) (formerly the Integration Transformation Fund) was announced by the Government in the June 2013 Spending Round, to ensure a transformation in integrated health and social care. The BCF is a single pooled budget to support health and social care services to work more closely together in local areas. The BCF not only brings together NHS and Local Government resources, but also provides a real opportunity to improve services and value for money, protecting and improving social care services by shifting resources from acute services into community and preventative settings.</p> <p data-bbox="292 496 1949 589">The governance arrangements for the BCF will therefore have to meet the requirements of all partners to achieve economy, efficiency and effectiveness in their use of resources. Each partner will also need to satisfy itself that the pooled budget complies with the requirements of its appropriate code of governance and annual governance reporting guidance.</p> <p data-bbox="292 611 1960 732">Each partner must also satisfy itself that all other regulatory requirements are met – for example, that discrete funding streams are only spent appropriately at a local level. Partners therefore need to make arrangements to ensure that that is happening. Additionally, there will be a requirement for an audit certificate on this expenditure and arrangements need to be in place to ensure appropriate records are kept to provide sufficient audit assurance.</p> <p data-bbox="292 753 1976 811">With this in mind, CCG governing bodies and Local Authority Executives are now considering whether governance arrangements and structures are fit for purpose and will ensure the effective management of the BCF and the pace of development and implementation.</p> <p data-bbox="292 832 1804 861">We are currently carrying out reviews of these governance arrangements and structures using the following Key Lines of Enquiry:</p> <ul data-bbox="292 882 727 1146" style="list-style-type: none"> ■ Governance arrangements. ■ Engagement and communication. ■ Hosting arrangements. ■ Signed agreement. ■ Performance management. ■ Financial management. <p data-bbox="292 1168 1452 1196">For more information, please contact Darren Gilbert, 02920 468 205, Darren.Gilbert@KPMG.co.uk.</p>

Area	Comments
<p data-bbox="64 322 269 539">KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</p> <p data-bbox="58 725 99 876" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 11</p>	<p data-bbox="292 322 1991 415">Without a radical programme of house building, average house prices in England could double in just ten years to £446,000 at current prices, according to research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 at current prices by 2034 if current trends continue.</p> <p data-bbox="292 434 1991 494">The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p data-bbox="292 512 1991 605">The warning comes in a landmark report from KPMG and Shelter outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament. With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p data-bbox="292 624 1991 684">The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market. It calls on politicians to commit to an integrated range of key measures, including:</p> <ul data-bbox="292 702 1991 1082" style="list-style-type: none"> ■ giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land; ■ unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed; ■ introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building; ■ helping small builders to get back into the house building market by using government guarantees to improve access to finance; and ■ fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need. <p data-bbox="292 1100 1991 1160">To read the report, visit www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Pages/building-the-homes-we-need-programme-2015.aspx</p> <p data-bbox="292 1179 1991 1206">For more information, please contact Darren Gilbert, 02920 468 205, Darren.Gilbert@KPMG.co.uk.</p>

Area	Comments
<p data-bbox="58 322 244 415">Better Care Fund Support Programme</p> <p data-bbox="58 544 99 701">Page 12</p>	<p data-bbox="292 322 1991 415">The Better Care Fund Support Programme aims to help areas to overcome the barriers to the successful implementation of the Better Care Fund plans across England in 2015/16. KPMG is one of the partners that successfully bid to deliver the programme, on behalf of NHS England, alongside the Social Care Institute for Excellence ('SCIE'), PPL Consulting and the Berkeley Partnership.</p> <p data-bbox="292 434 1742 462">The focus has been on practical implementation support to deliver better care for the local population. Support has included:</p> <ul data-bbox="292 482 1908 682" style="list-style-type: none"> ■ Conferences, webinars and regional clinics – to explore the barriers to change and develop local plans to overcome them; ■ The Better Care Exchange – an online interactive space for knowledge sharing and collaboration (currently in development); ■ Virtual clinics – telephone support for BCF leads to discuss individual site issues with integration experts; and ■ Coaching and support – to enable good practice and insight gathering from within the BCF programme to support Better Care Learning Partners. <p data-bbox="292 705 1017 733">A number of 'How to guides' have been developed on how to:</p> <ul data-bbox="292 753 1943 911" style="list-style-type: none"> ■ lead and manage Better Care implementation: www.scie.org.uk/about/files/nhs-england-bcf-leadership-how-to-guide.pdf ■ bring budgets together and use them to develop coordinated care provision: www.scie.org.uk/about/files/nhs-england-bcf-budgets-how-to-guide.pdf ■ work together across health, care and beyond: www.scie.org.uk/about/files/how-to-work-together-across-health-care-and-beyond.pdf <p data-bbox="292 928 1783 956">The support programme also includes webinars. Further webinars are scheduled, but at present they cover the following topics:</p> <ul data-bbox="292 976 1069 1096" style="list-style-type: none"> ■ Joint working; ■ Section 75 Arrangements – Pooled and unpooled budgets; and ■ Data sharing: <p data-bbox="292 1116 1970 1173">More details on the programme, and a link to the webinar recordings, can be found on the SCIE website at www.scie.org.uk/about/partnerships-better-care.asp</p> <p data-bbox="292 1193 1452 1222">For more information, please contact Darren Gilbert, 02920 468 205, Darren.Gilbert@KPMG.co.uk.</p>

Area	Comments
<p data-bbox="64 318 250 472">Local Government Technical Update – February 2016</p> <p data-bbox="58 725 99 882" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 13</p>	<p data-bbox="292 318 2003 408">We are pleased to confirm that we will once again be running a series of local government accounts workshops for key members of your finance team. The workshops are focussed at Chief Accountants and similar staff who will be involved in and responsible for the 2015/16 close down and statement of accounts.</p> <p data-bbox="292 429 2003 458">The workshops will be led by our regional local government audit teams supported by our national local government technical lead Greg McIntosh.</p> <p data-bbox="292 479 576 508">The agenda will include:</p> <ul data-bbox="292 529 830 694" style="list-style-type: none"> <li data-bbox="292 529 555 558">■ Review of 2014/15; <li data-bbox="292 572 830 601">■ Key Issues and developments for 2015/16; <li data-bbox="292 622 706 651">■ Longer term developments; and <li data-bbox="292 665 675 694">■ Tax and Pensions specialists. <p data-bbox="292 715 810 743">The events are due to take place as follows:</p> <ul data-bbox="292 765 845 1029" style="list-style-type: none"> <li data-bbox="292 765 623 793">■ Leeds – 4 February 2016 <li data-bbox="292 808 665 836">■ Leicester – 5 February 2016 <li data-bbox="292 851 644 879">■ Preston – 8 February 2016 <li data-bbox="292 901 706 929">■ Birmingham – 12 February 2016 <li data-bbox="292 951 845 979">■ London (Canary Wharf) – 22 February 2016 <li data-bbox="292 1001 644 1029">■ Bristol – 24 February 2016 <p data-bbox="292 1051 1452 1079">For more information, please contact Darren Gilbert, 02920 468 205, Darren.Gilbert@KPMG.co.uk.</p>

Area	Comments
<p data-bbox="64 318 265 504">KPMG publication titled: <i>Value of Audit – Perspectives for Government</i></p> <p data-bbox="58 544 99 704" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 14</p>	<p data-bbox="292 318 692 344">What does this report address?</p> <p data-bbox="292 365 1989 486">This report builds on the <i>Global Audit campaign – Value of Audit: Shaping the future of Corporate Reporting</i> – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.</p> <p data-bbox="292 508 1989 601">Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.</p> <p data-bbox="292 622 609 648">What are the key issues?</p> <ul data-bbox="292 669 1881 886" style="list-style-type: none"> ■ The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements. ■ The importance of trust and independence of government across different markets. ■ How government audits can provide accountability thereby enhancing the government’s controls and instigating decision-making. ■ The importance of technology integration and the issues that need to be addressed for successful implementation ■ The degree of reliance on government financial reports as a result of differing approaches to conducting government audits <p data-bbox="292 908 1976 933">The <i>Value of Audit: Perspectives for Government</i> report can be found on the KPMG website at https://home.kpmg.com/xx/en/home/insights.html</p> <p data-bbox="292 955 1929 1012">The <i>Value of Audit: Shaping the Future of Corporate Reporting</i> can be found on the KPMG website at www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx</p>



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Technical update

Area	Level of impact	Comments	KPMG perspective
<p>New local audit framework</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 16</p>	<p>● Medium</p>	<p>The Local Audit and Accountability Act 2014 included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.</p> <p>DCLG have now announced that the audit contracts for large local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors; it is not yet clear whether there will be a sector-led body that is able to undertake this role on behalf of bodies.</p> <p>CIPFA have now issued guidance that was commissioned by DCLG on the creation of Auditor Panels. The guidance is available at www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf The guidance provides options on establishing an Auditor Panel, and the roles and responsibilities the panels will have once established.</p> <p>NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies.</p>	<p><i>Members may wish to review the CIPFA guidance and begin initial discussions with colleagues about the approach the Authority may wish to adopt.</i></p>

Area	Level of impact	Comments	KPMG perspective
<p>Reporting developments – Infrastructure assets</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 17</p>	<p style="text-align: center;">●</p> <p style="text-align: center;">Medium</p>	<p>CIPFA/LASAAC, the group that produce the <i>Code of Practice for Local Authority Accounting</i>, have confirmed that transport infrastructure assets owned by local authorities will be required to be included in the accounts from 2016/17. This would require prior period adjustments for 2015/16, including the opening position at 1 April 2015.</p> <p>The changes require local authorities to recognise the value of all transport infrastructure assets using the depreciated replacement cost method, i.e. the cost required to replace the asset with a new replacement depreciated over the life of the existing asset. Transport infrastructure assets include:</p> <ul style="list-style-type: none"> ■ roads, bridges, roundabouts and traffic calming measures; ■ footways, footpaths and cycle tracks; ■ tunnels and underpasses; and ■ water supplies and drainage systems, as they support the assets identified above. <p>Even non-highway authorities will be affected to the extent that footways etc are material to their accounts. Railway assets are not currently included in the proposals, although it is possible that these may be included in subsequent periods.</p> <p>CIPFA have issued a <i>Code of Practice on Transport Infrastructure Assets</i> which contains the requirements to be included in the Local Authority Code. This is available to purchase from the CIPFA website.</p> <p>Local authorities should have developed a project plan to identify all of the relevant transport infrastructure they own and a timetable for valuing these. CIPFA expects authorities to have undertaken the 1 April 2015 valuations by 31 December 2015.</p> <p>The Whole of Government Accounts submission includes unaudited data on transport infrastructure assets. 2013/14 data indicates assets of over £400 billion will be accounted for on local authority balance sheets. However, only 93% of authorities provided this information, and of these less than 70% used actual inventory data to complete the return. This indicates that the sector faces a significant challenge in accurately identifying the assets it owns and will have to account for.</p>	<p><i>The Committee may wish to enquire of officers whether a project plan has been developed to address the requirements and review progress against this on a regular basis.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>The Local Government Association's 2015 Spending Review submission</p> <p>Page 18</p>	<p>● Medium</p>	<p>In June 2015, the Local Government Association (LGA) set out proposals for the Government to consider as part of the Spending Review, aimed at streamlining public services, growth generating investment and social care and health – all while saving the public purse almost £2 billion a year by the end of the Parliament.</p> <p>The submission focusses on five core issues originally highlighted in <i>A Shared Commitment</i> (www.local.gov.uk/documents/10180/6869714/L15-252+Spending+Review_WEB_new.pdf/3101e509-1e22-4c26-91ac-8fd8a953aba5), published in early 2015. The LGA hopes that local government can work with central government to balance the nation's books while improving public services and the local economic environment by delivering new, transformed and high-quality local services while at the same time reducing costs to the public sector.</p> <p>The LGA believes the Spending Review should:</p> <ul style="list-style-type: none"> ■ enable wider integration of social care and health services to deliver savings and improve outcomes This requires the annual £700 million funding gap in social care services to be closed and a transformation fund worth £2 billion in each year of the Spending Review period be created to allow new ways of working to become commonplace. The Spending Review should also implement a single place-based budget for delivering all local services through a Local Public Services Fund as part of at least five devolution deals; ■ promote growth and productivity by accepting the case for further devolution of powers and funding that stretches beyond 25 November. The LGA is calling for devolution of, or local influence over, more than £60 billion of growth, skills and infrastructure funding over the Spending Review period, including: <ul style="list-style-type: none"> – the components for an ambitious and effective Local Growth Fund with agreed settlements in devolution deals that last until 2020/21 – a central-local partnership to deliver effective and targeted skills and employment initiatives – unlocking the ability of councils to contribute to the Government's target of 275,000 affordable homes built over the lifetime of the Parliament. ■ help councils adequately resource and deliver high quality public services by transforming the business rate mechanism and providing a four year local government finance settlement; and ■ help councils focus on driving efficiency and value for money through an assessment of the impact of unfunded cost burdens that core council budgets are going to face over the Spending Review period. 	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

Area	Level of Impact	Comments	KPMG perspective
Accounts and Audit Regulations 2015 – Narrative statements Page 19	<p style="text-align: center;">● Low</p>	<p>Authorities will need to be aware that the <i>Accounts and Audit Regulations 2015</i> require local authorities to produce and publish a narrative statement. Section 8 of the Regulations, which apply first from the 2015/16 financial year, states:</p> <p><i>Narrative statements</i></p> <ol style="list-style-type: none"> 1) <i>A Category 1 authority must prepare a narrative statement in accordance with paragraph (2) in respect of each financial year.</i> 2) <i>A narrative statement prepared under paragraph (1) must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.</i> <p>Authorities will need to publish the narrative statement along with the financial statements. The narrative statement does not form part of the financial statements and is therefore not subject to audit. As part of their audit work however, auditors will need to review the statement for consistency with their knowledge.</p> <p>The narrative statement replaces the explanatory foreword and will need to be prepared in accordance with CIPFA/LASAAC's <i>Code of Practice on Local Authority Accounting</i> (the accounting code). The 2016/17 accounting code will contain high level principles for authorities to follow when preparing their narrative statements. The principles set out in the accounting code will also be relevant to 2015/16 and we understand that CIPFA/LASAAC is likely to publish an update to the 2015/16 accounting code to clarify this.</p>	<p><i>The Committee may wish to seek assurances that their authorities have arrangements in place to meet the new requirements</i></p>

Area	Level of Impact	Comments	KPMG perspective
Accounts and Audit Regulations 2015 – Exercise of public rights	<p style="text-align: center;">● Low</p>	<p>Authorities will be aware that the Accounts and Audit Regulations 2015 (the Regulations) set out new arrangements for the exercise of public rights from 2015/16 onwards.</p> <p>Paragraph 9(1) of the Regulations requires the responsible financial officer to commence the period for the exercise of public rights and to notify the local auditor of the date on which that period was commenced.</p> <p>Paragraph 9(2) is clear that the final approval of the statement of accounts by the authority prior to publication cannot take place <i>until after the conclusion of the period for the exercise of public rights</i>.</p> <p>As the thirty working day period for the exercise of public rights must include the first ten working days of July, this means that authorities will not be able to approve their audited accounts or publish before 15 July 2016.</p>	<p><i>The Committee may wish to seek assurances that the necessary arrangements are in place for their Authority.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Consultation on 2016/17 audit work programme and scales of fees</p>	<p>● Low</p>	<p>Public Sector Audit Appointments Ltd (PSAA) has published its consultation on the 2016/17 proposed work programme and scales of fees.</p> <p>The consultation sets out the work that auditors will undertake at principal audited bodies for 2016/17, with the associated scales of fees. The consultation documents, and list of individual proposed scale fees, are available on the PSAA website at www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/</p> <p>There are no planned changes to the overall work programme for 2016/17. It is proposed that scale fees are set at the same level as the scale fees applicable for 2015/16, set by the Audit Commission before it closed in March 2015. The Commission reduced scale fees from 2015/16 by 25 per cent, in addition to the reduction of up to 40 per cent made from 2012/13.</p> <p>Following completion of the Audit Commission's 2014/15 accounts, PSAA has received a payment in respect of the Audit Commission's retained earnings.</p> <p>PSAA will redistribute this and any other surpluses from audit fees to audited bodies, on a timetable to be established shortly.</p> <p>The work that auditors will carry out on the 2016/17 accounts will be completed based on the requirements set out in the Local Audit and Accountability Act 2014 and under the Code of Audit Practice published by the National Audit Office.</p> <p>The consultation closes on Friday 15 January 2016. PSAA will publish the final work programme and scales of fees for 2016/17 in March 2016.</p>	<p><i>The Committee may wish to seek assurances on how their Authority have responded to the consultation.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>NAO report – Devolving responsibilities to cities in England: Wave 1 City Deals</p> <p>Page 22</p>	<p>● Low</p>	<p>Wave 1 City Deals encouraged cities to develop capacity to manage devolved funding and increased responsibility. The report finds it is too early to tell whether the deals will have any overall impact on growth, and that the government and the cities could have worked together in a more structured way to agree a consistent approach to evaluating the deals’ impact. There have been early impacts from some of the individual programmes agreed in the deals. It has, however, taken longer for cities and departments to implement some of the programmes that required more innovative funding or assurance mechanisms.</p> <p>The government has set out its ambition to continue devolving responsibility for local growth to cities and other local places. The report highlights that both the government and local places can learn from the experience of Wave 1 City Deals to manage devolution to local places effectively.</p> <p>The report is available on the NAO website www.nao.org.uk/report/devolving-responsibilities-to-cities-in-england-wave-1-city-deals/</p>	<p><i>The Committee may wish to seek assurances how their Authority fit into the emerging City Deals.</i></p>

Area	Level of Impact	Comments
<p>Greater Manchester Combined Authority</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 23</p>	<p>●</p> <p>For Information</p>	<p>Greater Manchester Combined Authority (GMCA) has pioneered the concept of local devolution within England. ‘Devo Manc’ encompasses a broad range of proposals to address the challenges and opportunities GM is facing:</p> <p>Health and Social Care</p> <p>Greater Manchester is facing an estimated financial deficit of c. £2 billion by 2020/21. A Memorandum of Understanding was signed in February 2015 between all partners in GM, committing the region to produce a comprehensive Strategic and sustainable Plan for health and social care.</p> <p>As part of the Plan, GM is seeking to use its share of the £8 billion promised to the NHS in the CSR to support new recurrent costs and protect social care budgets, closing over a quarter of the funding gap. A further investment by the partners of £500 million, phased over three years, will release future recurrent savings with a likely payback of £3 for every £1 invested.</p> <p>GM proposals</p> <p>In addition, GM has made a number of proposals to reform the way public services work together and deliver services within the region:</p> <ul style="list-style-type: none"> ■ Investment in transport infrastructure ■ New funding mechanisms to support site remediation and infrastructure provision ■ Making better use of Social Housing Assets to support growth ■ Locally led low carbon ■ A scaled-up GM Reform Investment Fund ■ Devolution of decision making for apprenticeships and training, and reform to careers advice and guidance ■ Fundamental review of the way services to children are delivered ■ Research and innovation funding ■ Investment in integrated business support to drive growth and productivity ■ Reform of the New Homes Bonus ■ Further employment and skills reform ■ GM approach to data sharing across public agencies ■ Fiscal devolution, including reform to Business Rates, Council Tax, Stamp Duty Land Tax and a Hotel Bed Tax <p>All of these proposals involve joint working, not just with other GM agencies, but also central government departments. This allows the existing financial resources provided to the region to be redeployed more efficiently to maximise the benefits to GM.</p>

Area	Level of Impact	Comments
Care Act first-phase reforms – local experience of implementation	<p style="text-align: center;">●</p> <p style="text-align: center;">For Information</p>	<p>This report has been published by the National Audit Office and complements its earlier report on central government’s approach to the Care Act first-phase reforms.</p> <p>This further report provides examples from local case study areas which show how different authorities are addressing risks arising from uncertainty in demand from carers and self-funders.</p> <p>The report was published on 3 August and is available from the NAO website at www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/</p>

Area	Level of Impact	Comments
<p>Public Sector Audit Appointments Ltd (PSAA) – VFM profiles update</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 25</p>	<p style="text-align: center;">●</p> <p style="text-align: center;">For Information</p>	<p>Public Sector Audit Appointments Ltd (PSAA) maintain the Value for Money profiles tool (VFM profiles) initially developed by the Audit Commission. The profiles were updated on 1 October 2015.</p> <p>The VFM profiles planned budget section now contains the 2015/16 data sourced from the Department for Communities and Local Government – General Fund Revenue Account Budget (RA). The values are adjusted with gross domestic product (GDP) deflators from the HM Treasury's publication in June 2015. The profiles can be accessed through the PSAA's homepage at http://www.psa.co.uk/</p> <p>Other sections of the VFM profiles have also been updated with the latest data values for the following data sources:</p> <ul style="list-style-type: none"> ■ Inequality gap (2012/13) ■ Fuel poverty (2013) ■ Climate change (2013) ■ Alcohol related admissions (2013/14) ■ Mid-year population estimates (2014) ■ Chlamydia testing (2014) ■ Participation in education or work-based learning (2014) ■ Housing benefit speed of processing (2014/15) ■ CT and NNDR collection rates (2014/15) ■ NHS health checks (2014/15) ■ Planning applications (Quarter 4 2014/15) ■ Delayed transfers of care (Quarter 1 2015) ■ Under 5 provision (2015)

Area	Level of Impact	Comments
<p>Proposed changes to business rates and core grant</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 26</p>	<p style="text-align: center;">●</p> <p style="text-align: center;">For Information</p>	<p>The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.</p> <p>The Chancellor set out the landmark changes in a speech to the Conservative party conference in Manchester, saying it was time to face up to the fact that “the way this country is run is broken”.</p> <p>Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved, he said</p> <p>The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at £0.02 on the rate.</p> <p>The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.</p>



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Appendix

Deliverable	Purpose	Timing of Audit Committee	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2015	Completed
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2016	Included within this meeting
Interim			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	June 2016	TBC
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2016	TBC



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DRAFT - External Audit Plan 2015/2016

Exeter City Council

February 2016

Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2015/16, which provides stability in terms of the accounting standards the Authority needs to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at £1.2 million.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £0.06 million.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of Property, Plant & Equipment – As revaluations occur up to every five years, the time delay could result in a material difference between the carrying value and fair value.
- Management override of controls – This risk is present in all entities as management is in a unique position to manipulate accounting records. The audit approach will test the appropriateness of journal entries recorded in the general ledger, review the appropriateness of accounting estimates, and assess the reasonableness of provisions.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding have been identified as:

- Accounting for Strata – The Authority has been in consultation with its lawyers on whether it can transfer the accrued pension liabilities within Strata to the councils.

See pages 3 to 4 for more details.

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Value for Money Arrangements work



The National Audit Office has issued new guidance for the VFM audit which applies from the 2015/16 audit year. The approach is broadly similar in concept to the previous VFM audit regime, but there are some notable changes:

- There is a new overall criterion on which the auditor's VFM conclusion is based; and
- This overall criterion is supported by three new sub-criteria.

Our risk assessment is ongoing and we will report VFM significant risks during our audit

See pages 6 to 8 for more details.

Logistics



Our senior team is:

- Darren Gilbert – Director
- Tara Westcott – Senior Manager

More details are on **page 11**.

Our work will be completed in four phases from November 2015 to September 2016 and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 10**.

Our fee for the audit is £57,887, see **page 9**.

Background and Statutory responsibilities

We are pleased to present you with our first audit plan and are looking forward to working with you in 2015/16 and beyond.

This document supplements our Audit Fee Letter 2015/16 presented to you in June 2015, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 6 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2015/16 and the findings of our VFM risk assessment.



Financial Statements Audit Planning

Our planning work takes place during January to March 2016. This involves the following key aspects:

- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

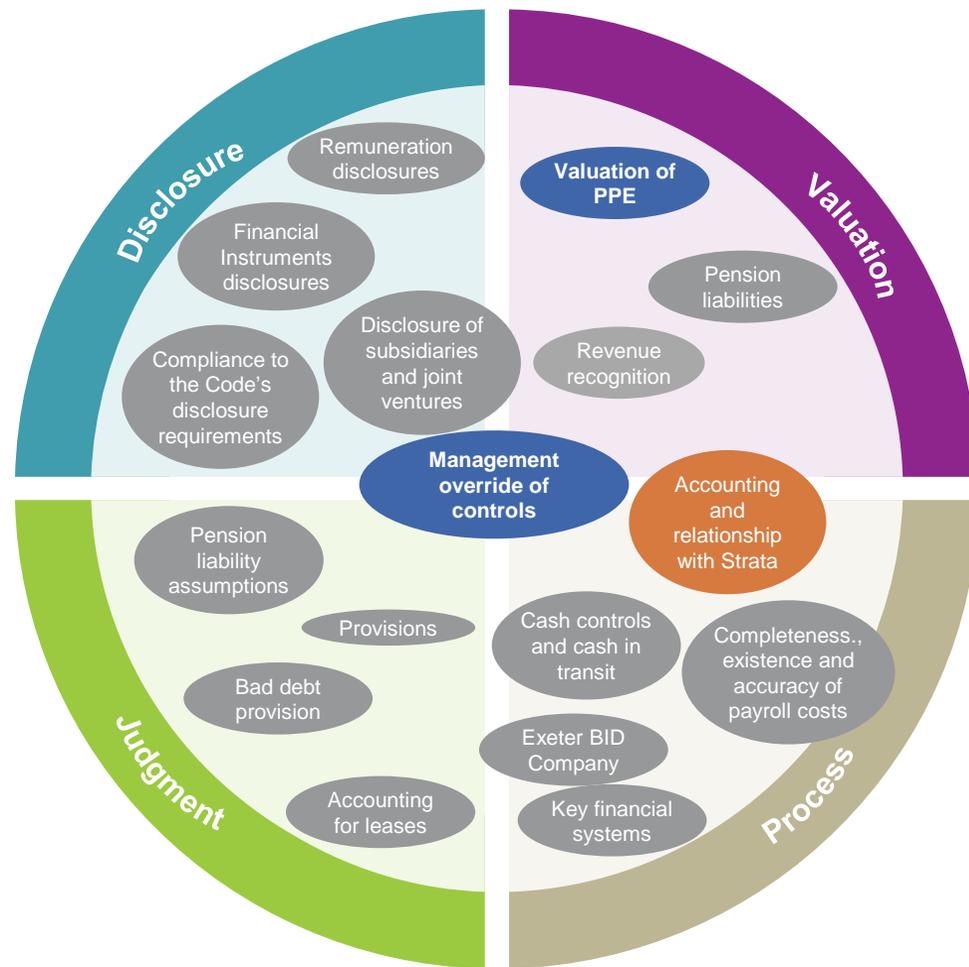
Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

■ Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risk

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Valuation of Property, Plant & Equipment (PPE)

■ Risk

Authorities are responsible for ensuring the valuation of their PPE is materially correct, and for conducting impairment reviews that confirm the condition of these assets. Local authorities typically achieve this by performing an annual review for impairment, a periodic desk top valuation (every three years) and a full valuation in not more than five yearly intervals. The asset valuation and impairment review processes are both estimates and therefore present a higher level of risk to the audit.

The net book value of the Authority's PPE as at 31 March 2015 was £334 million of this balance £319 million relates to land and buildings. These balances were estimated by your internal District Valuer. The last full valuation of the Authority's dwelling took place on 1 April 2014 and a desk top review will be performed at 31 March 2016. All other assets included within other land and buildings are revalued on a rolling basis each year.

As revaluations occur up to every five years, the time delay could result in a material difference between the carrying value and fair value.

■ Approach

We will review the terms of engagement with the valuer to ensure compliance with the Authority's accounting policies.

We will obtain the instructions provided to the valuer. We will consider the source of the information and undertake appropriate testing to ensure both its completeness and accuracy.

We will confirm the appropriateness of any amendments made by management to the information received from the valuer before being incorporated into the financial statements.

We will undertake appropriate work to understand the basis upon which any impairments to land and buildings have been calculated. We will test the associated assumptions and determine if there have been any significant variances in fair value between valuations.

Other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Strata Service Solutions Limited (Strata)

■ Issue

The Authority holds an equal shareholding in Strata with two other local authorities. When Strata began trading, staff transferred over from the three local authorities under TUPE arrangements. Strata took over the full pensions liabilities relating to these staff, which in some cases had been built up over decades of authority service.

The Authority treated this transaction as a joint operation within its 2014/15 financial statements. However, when the Authority consolidated the figures for Strata it did not account for the built up pension liabilities that had accrued which amounted to £1.136m. Your previous external auditors highlighted this to you in their ISA 260 report for 2014/15.

This year we understand from management that the figures involved for the accrued pension liabilities will be material to your financial statements. The Authority has been consulting with its lawyers and drafted a 'Deed of Guarantee' which make it clearer that Strata has no past service liability for the pension deficit and it will be covered by the three authorities but Strata has responsibility for any in year, amounts going forward.

■ Approach

We will perform the following:

- Review the accounting treatment of Strata to ensure it should be accounted for as a joint operation;
- Review the Deed of Guarantee and assess whether this is sufficient evidence that the strata pension deficit can be booked into the authorities 2015/16 accounts; and
- Review the accounting of the pension liability to ensure that it is appropriate; and
- Review the appropriateness of the accounting policy and disclosure notes within the accounts.



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

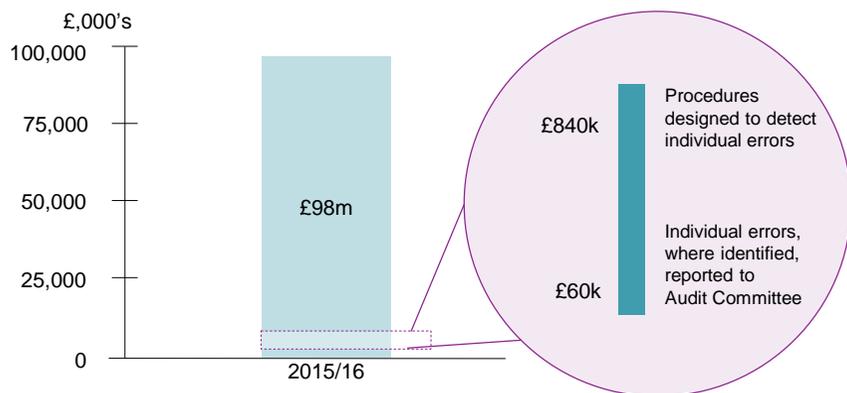
Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £1.2 million, which equates to 1.2% percent of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.



Source: Based on your gross expenditure within your 2014/15 financial statements

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.06 million.

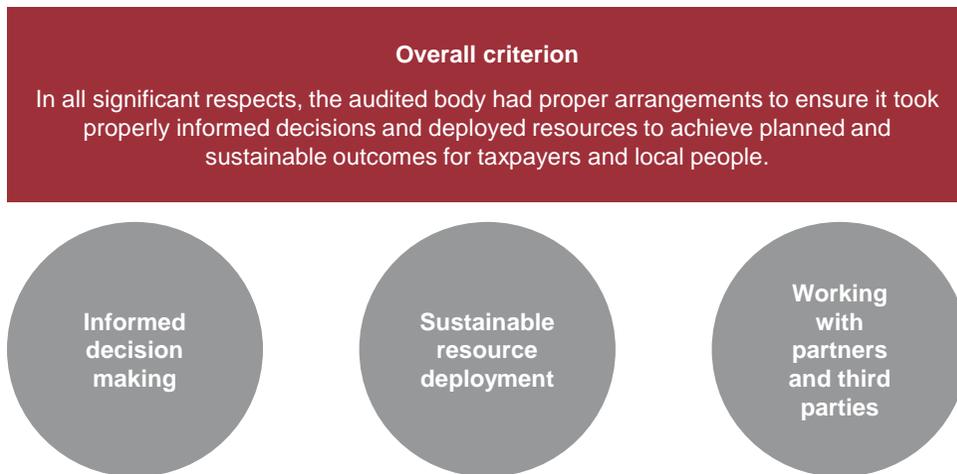
If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Background to approach to VFM work

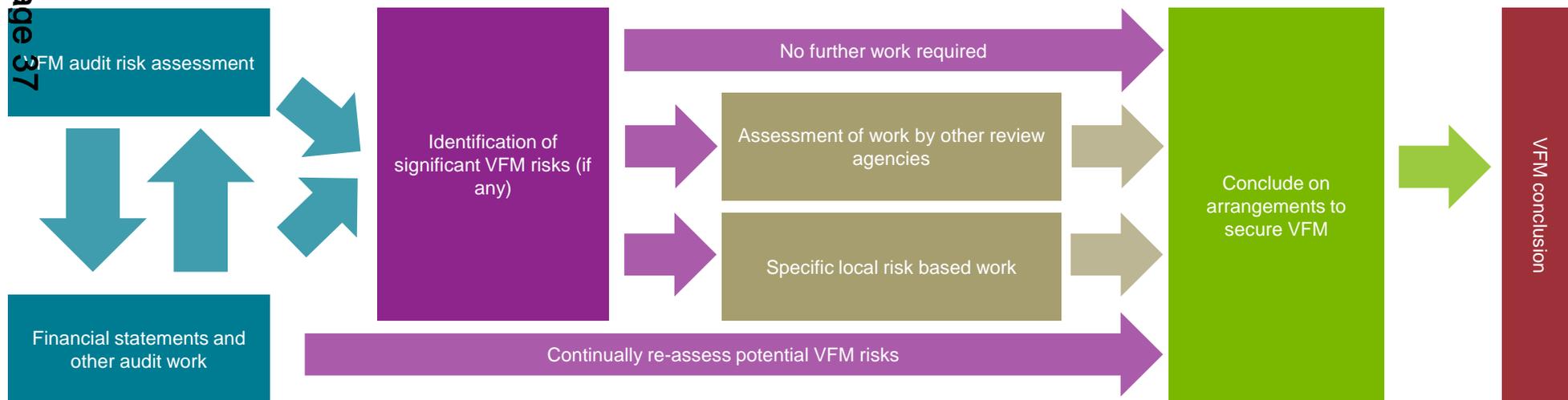
The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2014/2015 and the process is shown in the diagram below. However, the previous two specified reporting criteria (financial resilience and economy, efficiency and effectiveness) have been replaced with a single criteria supported by three sub-criteria. These sub-criteria provide a focus to our VFM work at the Authority. The diagram to the right shows the details of this criteria.



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VFM audit stage	Audit approach
<p>VFM audit risk assessment</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 38</p>	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
<p>Linkages with financial statements and other audit work</p>	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
<p>Identification of significant risks</p>	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2015/16 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Darren Gilbert, a Director within KPMG's Audit Public Sector department. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

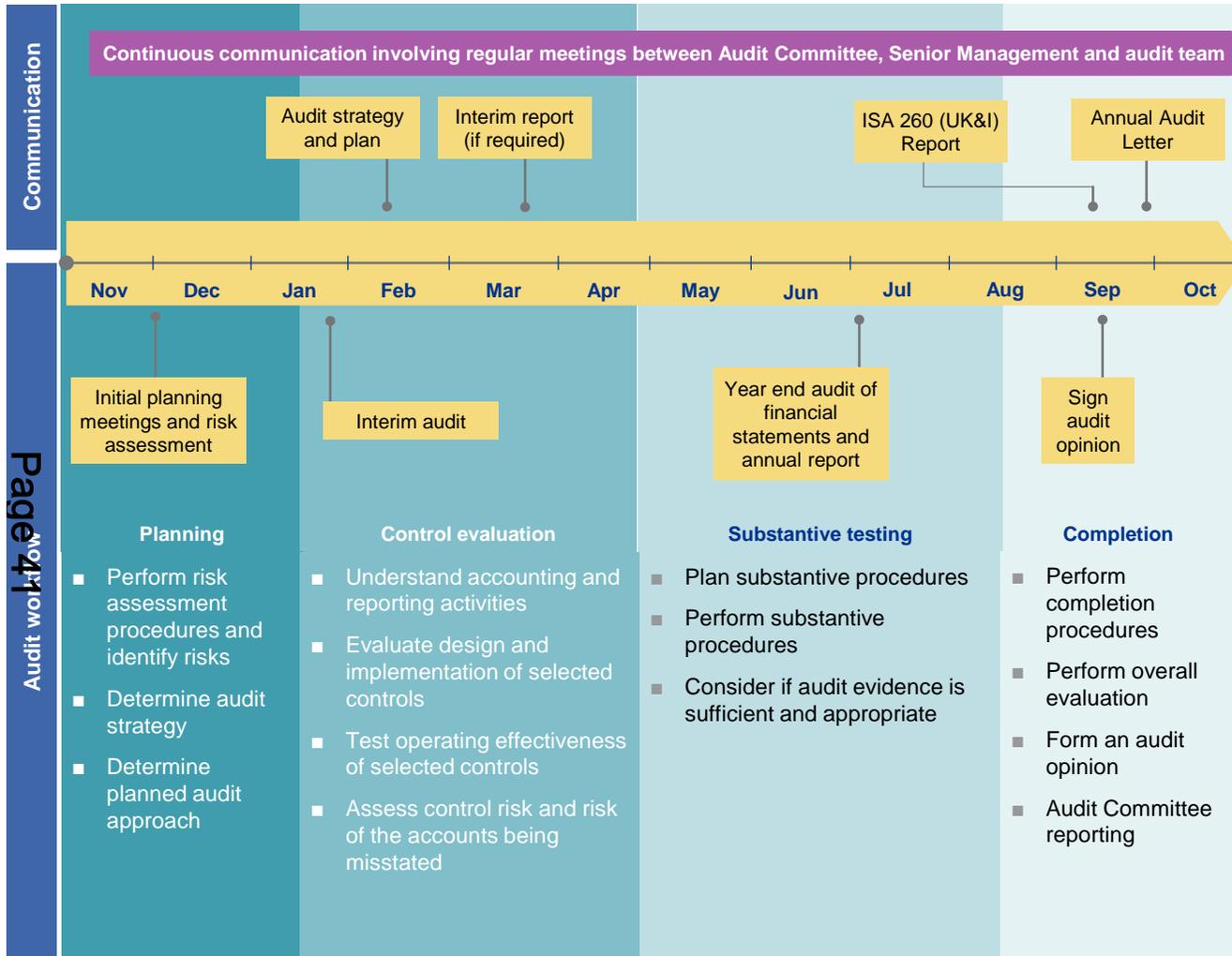
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2015/2016 presented to you in June 2015 first set out our fees for the 2015/2016 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2015/16 is £57,887. This is a reduction of 25% compared to the audit fee for 2014/2015 (£77,183).

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.



Your senior audit team has been drawn from our specialist public sector assurance department.



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Darren Gilbert
Director

+44 2920 468205

darren.gilbert@kpmg.co.uk

Name	Darren Gilbert
Position	Director
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit Committee and Chief Executive & Growth Director of the Council.'</p>



Tara Westcott
Senior Manager

+44 1179 054358

tara.westcott@kpmg.co.uk

Name	Tara Westcott
Position	Senior Manager
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Darren to ensure we add value.</p> <p>I will liaise with the Director of Finance and the Technical Accounting Manager and other Executive Directors.'</p>

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of 11th February 2016 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact [...], the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 9 March 2016

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PLAN 2016/17

Is this a Key Decision? No

Is this an Executive or Council Function? Council

1. What is the report about?

The Audit and Governance Committee has responsibility for approving the annual audit plan and ensuring that appropriate risk assessments have been carried out when formulating the plan. This report details the processes (including risk assessment processes) undertaken by the Audit Managers when formulating the plan. It also seeks members' approval of the plan.

2. Recommendations:

2.1 That the 2016/17 Internal Audit Plan be approved.

3. Reasons for the recommendation:

3.1 To meet the terms of reference of the Audit and Governance committee.

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

There are no additional resources implications

5. Section 151 Officer comments:

There are no financial implications contained within this report. The audit plan is produced on a risk management basis and is independent of all functions of the Council. It does however reflect discussions with management to identify new areas of risk.

6. What are the legal aspects?

None identified.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report details:

8.1 The Internal Audit Strategy including the audit rolling plan was established in line with internal control and risk management best practice, and is used to establish the basis of the Audit Plan.

- 8.2 The Council's Internal Auditors use the 'Enterprise Risk Management Approach' (ERMA) they devised to check that there are adequate internal controls and separation of duties and that risk is adequately considered throughout the Council. This approach ensures that non-financial systems (such as corporate governance, health & safety and risk management) are afforded the same 'fundamental systems' status as the traditionally important financial systems (such as creditors, housing benefits, payroll and council tax).
- 8.3 All systems are assessed using an audit risk assessment matrix and High risk areas are audited on an annual basis using the Council's 'Enhanced Systems Based Auditing control matrices' testing papers, medium risk systems will be audited every other year and low risk areas once during the four-year rolling plan cycle. The risk assessment is reviewed annually to ensure that changes within services are considered.
- 8.6 The Audit Plan has also been linked to the Corporate Risk Register and the appropriate risk reference is shown against the relevant audit in Appendix A.
- 8.7 In addition to the risk analysis, the Audit Managers have also discussed with Assistant Directors and Corporate Managers their strategic priorities, their responsibilities under the corporate risk register and to identify any specific concerns they may have. The outcomes of these meetings have also fed into the formation of the 2016/17 Internal Audit plan.
- 8.8 The areas with the highest audit coverage are Creditors and Housing Benefits. Creditors is a high risk system as it has the potential for fraud and costly error to the Council. A significant amount of time is required to audit creditors due to the significant number of transactions processed. Housing benefits is considered high risk because of the national problem of external claimant fraud and the serious financial affect that would be caused should the Council's benefits subsidy claim be reduced due to significant input or classification errors.

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

An effective internal audit is part of good governance that enables the Council to operate an effective control environment and therefore contributes to the purpose 'A well run council'.

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

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.

Risks are further reduced by producing an annual audit plan linked to the Council's corporate risk register and prioritising the plan based on risk. Progress against the plan is reported to this Committee on a quarterly basis.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

N/A

12. Are there any other options?

N/A

Helen Putt/Helen Kelvey
Audit Managers

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:-
None

Contact for enquires:
Democratic Services (Committees)
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AUDIT PLAN - 2016/17			
	Risk	PLAN	CRR
Description	Priority	DAYS	REF
FINANCE			
Main Accounting	H	20	13/017
Income Management	H	10	
Procurement - implementation of process	H	20	13/026
Creditors	H	40	
Treasury management	M	5	
Insurance	M	0	
ENABLING SERVICES			
STRATA - Post project review	H	10	13/022 13/030
People management (inc Payroll)	H	20	
Corporate Property Assets - commercial rent collection - implementation of agreement amendments	L	8	13/011 13/018
ENVIRONMENT			
Trade Waste	M	0	
Environmental Health	L	0	
Recycling	M	10	13/004
Refuse Collection to include: - Garden Waste Collection - Bulky Waste Collection	L	10	
Licensing	L	0	
Health & safety - on-site policy compliance	H	10	13/028 13/047
Fleet Management	L	0	
PUBLIC REALM			
Car Parks	M	0	
Parks/Open Spaces	L	7	
Community Patrol	L	0	
CCTV	L	0	
Homecall	L	0	
Waterways	L	7	
Bereavement Services	L	0	
Allotments	L	0	
ECONOMY			
Economic Development	L	0	
Tourism	L	0	
Markets and Halls	L	0	

Museums service - alarm call out security	M	7	
Leisure Contract	L	0	
		0	
HOUSING		0	
Housing - Recharges	H	10	13/049
Private Sector Housing to include:	M	10	
- HMO Licensing - Wessex home Loans - Improvement Grants			
Building Maintenance	L	0	
		0	
CITY DEVELOPMENT		0	
Planning	L	0	
Building Control	L	0	
New Homes Bonus	M	0	
CIL/Section 106	M	0	
Land Charges	L	0	
		0	
CUSTOMER ACCESS		0	
Customer Service Centre	L	0	
Housing Benefits Subsidy - including additional testing to be undertaken in June as requested by service	H	45	13/005 13/006 13/040
Council Tax	H	20	
Payments and Collection	H	20	13/038
Sundry Debt	H	20	
			13/034 '13/051
Business Rates	M	10	
Housing Advice, Allocations & Homelessness	H	10	
DEMOCRATIC/CIVIC SUPPORT		0	
Elections & electoral registration	L	0	
Twinning	L	0	
Mayoralty	L	0	
Civic Centre Facilities	L	0	
Civic ceremonials/civic functions	L	0	
Members' expenses	L	0	
		0	
CORPORATE		0	
Corporate governance		10	
Equalities and Diversity		0	13/023
Risk Management		10	
Business Continuity Management		10	
Information Governance		10	13/024
Counter Fraud		10	
National Fraud Initiative		0	
External Audit		2	
Audit planning and control		40	
Audit Development - Data Analytics		14	

Partnerships		5	
Contract Management		10	
External Funding & Grants		0	
Safeguarding		5	13/029
RIPA		2	
Review of Hospitality/Disclosures		1	
Follow-up's		10	
Disabled Facilities Grant		5	
Biennial Stakeholder Survey		2	
PSIAS Peer Review		0	
Contingency (special/frauds, etc)		30	
Totals		505	

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REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 9 MARCH 2016

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PROGRESS REPORT 3RD QUARTER 1ST OCTOBER TO 31ST DECEMBER 2015

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

COUNCIL

1. What is the report about?

To report on internal audit work carried out during the period 1st October to 31st December 2015, to advise on overall progress against the Audit Plan and to report any emerging issues requiring consideration.

2. Recommendations:

- 2.1 That the Internal Audit Progress Report for the third quarter of the year 2015/16 be noted.
- 2.2 That Members decide whether the audit report recommendations not agreed by management, as detailed in 8.2.1, are acceptable risks to the Council.
- 2.3 That Members decide on actions required by Managers that have not implemented agreed Internal Audit recommendations within a reasonable timescale, as detailed in 8.2.2.
- 2.4 That Members provide feedback to the Internal Audit Manager on the format of the Internal Audit reports to this committee.

3. Reasons for the recommendation:

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

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

None.

5. Section 151 Officer Comments:

This report highlights areas of good governance that should be followed by the relevant manager. Some significant issues have been reported this quarter and require addressing. In respect of procurement and contract management, there is a review

currently taking place which will make recommendations that should address many of the issues raised in the report.

6. What are the legal aspects?

The Monitoring Officer is not persuaded by either of the Managers reasons for not complying with Audits recommendations as identified in paragraphs 8.2.1.

The Fact that resources are tight highlights the need to ensure that any monies owed to the council are invoiced promptly and perused as may be necessary in accordance with the Council's debt Policy.

The refusal to give tenants a copy of a dated photographic condition of a rented property is illogical. These can be appended to the tenancy agreement and signed by the tenant at the same time as the tenancy agreement is signed.

7. Monitoring Officer's comments:

The Monitoring Officer has set out the legal aspects above.

8. Report details:

This Committee is responsible for the implementation and active monitoring of audit processes and actions, which includes performance against the annual audit plan, reviewing quarterly internal audit progress reports and seeking responses and assurance from management regarding audit recommendations that have not been accepted or those not implemented within a reasonable timescale. The 2016/16 Audit Plan was approved at this Committee on 11th March 2015.

The purpose of Internal Audit is to provide an independent and objective review of the adequacy and effectiveness of the Council's arrangements for internal control, risk management and governance. The activities we audit are given an assurance rating as follows:

Excellent	★★★★★	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	★★★★	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified.
Some improvement required	★★★	There is a basic control framework in place, but not all risks are well managed and a number of controls are required to be strengthened.
Significant improvement required	★★	Most of the areas reviewed were not found to be adequately controlled. Risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.
Fundamental weakness	★	Controls are seriously lacking or ineffective in their operation No assurance can be given that the system's objectives will be achieved.

8.1 Work Undertaken

Internal Audit's objective is to examine the Council's financial and non-financial systems to check that there are adequate internal controls in place to prevent loss due to frauds, errors and inefficiency, and due attention is paid to corporate governance and risk management.

A summary of progress against the annual audit plan to date is shown at Appendix A, together with the current status of each area for review and the outcomes of the review, where completed.

The table is based on the audit plan and the systems grouped into the twelve strategic purposes as per the Corporate Plan.

Progress against the annual audit plan was mainly on target as at 31st December. The table shows that contract management, procurement and people management are overspent, however, as the summary of work completed in Appendix B indicates, a number of significant issues were identified in these areas and warranted additional work. This has been counteracted by transferring audit work on Business Continuity into 2016/17 as procedures are still being established. In addition, work on Payments and Collections (formally OVOD) will be started in 2015/16 but will continue into 2016/17.

Details of the outcomes of audits completed can be found at Appendix B.

8.2. Issues for consideration

8.2.1 Recommendations that were not accepted by management during this quarter:

Housing – Private Sector Leasing

1. Tenant recharges (report ref: 4.7)

Finding

There are currently no procedures in place to recover recharges from tenants. As a result of the monthly monitoring meetings some repairs are being identified for which the tenant is liable for. For the period 22/07/14 to 31/05/15 a total of £7,586.37 tenant recharges were identified. Invoices do not appear to have been raised for any of these.

Audit Recommendations

1. Procedures should be put in place to ensure that invoices are promptly raised to recharge tenants for repairs that they are liable for.
2. These invoices should be regularly monitored and appropriate recovery action taken to recover any outstanding amounts.

Manager's response

The Manager advised that the reason that the recommendation could not be accepted was:

"There is a resource implication for both teams in undertaking this task.

A conscious decision was made to pursue landlord recharges as these tend to be of higher value and also more achievable as they can be deducted direct from rental payments. It has been difficult to pursue tenant recharges; they rarely get the money back as the majority of tenants are on welfare support, are frequently challenged and have insufficient evidence to take the matter further.”

2. Photographic evidence of state of property (report ref: 4.10)

Finding

Photographic evidence of the state of the property is not always obtained before a tenant moves in and therefore not provided to the tenants as part of their inventory.

Audit Recommendations

Photos of the property should be taken just before the tenant moves in and the tenant given copies as their inventory. A copy of the photos should also be held on the 'I' drive.

Manager's response

Although it was agreed that photographic evidence should always be obtained and saved on file, it was not agreed that copies should be given to the tenant. The Manager advised that:

“There were currently insufficient resources for tenants to be visited to ask them to sign to confirm they had seen photos of the property which confirmed its condition.”

8.2.2 Agreed recommendations not implemented within a reasonable time

There are a number of reports with outstanding recommendations that have been outstanding for a significant length of time and although in different reports all relate to the updating of Financial Regulations. Recommendations have been made in various reports to update Financial Regulations, however, these updates have yet to be actioned. Internal Audit were asked to provide suggested updates to Financial Regulations and did so in May 2015, however, Financial Regulations have not been updated since October 2013.

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

Good governance contributes to the Council's purpose of a “Well Run Council”.

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

N/A

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

N/A

12. Are there any other options?

N/A

Helen Putt & Helen Kelvey
Audit Managers

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

Background papers used in compiling this report:-

None

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**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

PROGRESS OF 2015/16 AUDIT PLAN AS AT 31/12/15

Audit Area	Budget Days	Actual Days	Report Status	Direction of travel since last audit	Assurance Rating	Number of findings		
						High	Med	Low

Leader

'A stronger city'

External Funding & Grants	5	4.2	In progress					
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Enabling Services

'A well run Council'

'Maintain our property assets of the city'

Main Accounting 2014-15	20	2	To start Q4					
Income Management/Sundry Debt	25	8.9	In progress					
Procurement	20	25.7	Final	↔	Significant improvement required	5	6	0
Creditors	40	25.5	Final report	↔	Good	0	5	5
First half year			In progress					
Second half year			In progress					
Insurance	5	0.7	In progress					
People Management	20	25.2	Final report	↓	Significant improvement required	5	6	0
ICT – Shared service	10	3.1	Ongoing					
Business Continuity	13	0	Transferred to 16/17 plan					
Risk Management	10	4.3	No report due					
Contract management - Corporate Property Assets	10	18.9	Final	No previous report	Significant improvement required	1	11	1
Contract Management – Other services	10	26.5	Final	No previous report	Significant improvement required	1	4	3
Counter Fraud/Anti-Fraud	10	2.8	Final	No previous report	Good	0	4	5
Corporate governance	10	5.6	Ongoing					
Information Governance	10	11.2	In progress					
Equalities & Diversity	10	11.7	Final report	No previous report	Good	0	4	5
Partnerships	5	2.3	In progress					
Hospitality & gift disclosures	1	0	To start Q4					
External Audit	2	0.3	No report due					

Customer Access

'Help me with my financial problem'

'Make it easy for me to pay you'

'Provide suitable housing'

Housing Benefit Subsidy	40	36.2	In progress					
Council Tax	25	0.3	To start Q4					
NDR	10	0	To start Q4					
One View of Debt (OVD)	25	4.5	To start Q4					
Housing – Tenants (PSL)	10	12.3	Final	No previous report	Some improvement required	1	9	1

Housing Revenue Account

'Provide suitable housing'

'Be a good landlord'

Housing - Property	10	0.8	To start Q4					
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Health & Place

'Keep place looking good'

'Keep me/my environment safe and healthy'

Health & Safety	10	0.8	To start Q4					
Trade recycling	12	16.3	Final report	No previous report	Good	1	3	2
Trade waste	5	10	Final report	No previous report	Some improvement required	0	6	4

Economy and Culture

'Provide great things for me to see and do'

'Help me run a successful business'

None	-							
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City Development

'Deliver good development'

None	-							
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Public Realm

'Keep place looking good'

Car Parks	5	0.4	To start Q4					
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Other

RIPA Administration	2	1						
Contingency (special/frauds) including unplanned work	30	30.7						
Follow-ups	10	8.6						
Audit planning and control	40	30						
Total	470	351.3						

EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Internal Audit Summary of Work Completed October to December 2015

Please note that this is a summary of recommendations only, as to include all recommendations made from each audit report in detail would result in a lengthy document. Members may request a full copy of any report once finalised or alternatively meet with the Audit Manager to discuss specific audits further.

Audit Area	Summary
<p>Procurement</p> <p>Assurance rating: Significant improvement required ★★</p>	<p>Procurement covers the acquisition of goods, services and works. It ranges from the negotiation of corporate contracts for the supply of routine goods and services through to the more complex partnership arrangements such as Public / Private Partnership (PPP) or joint commissioning with another public sector organisation.</p> <p>Effective procurement and commissioning is central to delivering high quality, value for money services and is a mechanism that can support delivery of the Council's corporate priorities.</p> <p>The objective of this audit was to review the Council's current procurement policies and procedures and to check a sample of purchases to establish whether areas are:</p> <p>a) aware of the Councils' policies and procedures and b) whether they are being adhered to</p> <p>The audit found that in some parts of the Council officers are fully aware of the rules around procurement, including the Contract Regulations and ensure that where ever possible, they are adhered to. However, this does not extend to all officers and instances were identified where suppliers continue to be given work after the original contract expired and without any other competitive quotes being obtained. Some officers were found to continue to use the same suppliers without checking that their prices are competitive because that supplier 'has always been used'. Both of these observations are contrary to Procurement rules and Contract Regulations.</p> <p>It was also been noted that work appeared to have stalled on dealing with those Contractors that appear to all intents and purposes not to be self-employed but an employee of the Council.</p> <p>Recommendations were made in respect of 5 high and 6 medium risk findings. All recommendations were accepted by management. The high risk findings relate to:</p> <ul style="list-style-type: none"> • Non-compliance with contract regulations • Procurement policies and procedures out of date • Lack of contracts with some suppliers • Lack of consistency of procurement across the organisation • Lack of progress with work to identify contractors deemed to be employees of the Council

<p>People Management – Payroll</p> <p>Assurance rating: Significant improvement required ★★</p>	<p>The payroll system is administered within the Transactional Services Unit of Human Resources.</p> <p>In addition to providing the payroll function for Exeter City Council, Transactional Services also provides the payroll function for the Exeter Citizen's Advice Bureau.</p> <p>The objective of the audit was to check that suitable controls remain in place for the processing of payroll data to ensure that employees are accurately paid in a prompt manner and that all staff costs are accurately allocated to the appropriate financial codes.</p> <p>Recommendations were made in respect of 15 medium and 3 low risk findings. All recommendations were accepted by management.</p>
<p>Corporate Property Assets – Contract Management</p> <p>Assurance rating: Significant improvement required ★★</p>	<p>The Corporate Property Unit was established in 2014 as a progression from the former Contract Development unit and to provide a strategic and corporate approach to the management of the non-housing corporate estate by bringing together various “property” functions within the existing structure (i.e. Estates, Contract Development and parts of Engineering services) into one unit reporting to the Deputy Chief Executive.</p> <p>The Corporate Assets Unit function is to deliver the corporate property maintenance strategy. The Corporate Property Asset Manager is responsible for the provision of a comprehensive property maintenance and compliance service for ECC’s corporate operational and commercial asset portfolio.</p> <p>The objectives of the audit were to:</p> <ul style="list-style-type: none"> • review a sample of contracts/agreements that are in respect of the maintenance and repair of corporate property assets and check that there is evidence that • they are being managed effectively and the supplier is adhering to the contract/agreement’s terms and conditions • adequate maintenance/servicing has been carried out • checks have been undertaken to determine whether works have been carried out to the required specification • best value was obtained <p>Recommendations were made in respect of 1 high, 11 medium and 1 low risk findings. All recommendations were accepted by management.</p> <p>The high risk finding related to non-compliance with the Council’s contract regulations.</p>
<p>Contract Management – other services</p> <p>Assurance rating: Significant improvement required ★★</p>	<p>Contract management is the process that enables both parties to meet their obligations in order to deliver the objectives required from the contract. It also involves building a good working relationship between customer and provider. It continues throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to situations that arise.</p> <p>The central aim of contract management is to obtain the services as agreed in the contract and achieve value for money. This means optimising the efficiency, effectiveness and economy of the service or relationship described by the contract, balancing costs against risks and actively managing the customer-provider relationship.</p> <p>Effective contract management is especially important in a period where the public sector is facing increasing pressure to</p>

	<p>reduce costs and improve financial and operational performance.</p> <p>The objectives of the audit were to check current practice against the National Audit Office good practice framework to identify where improvements can be made in respect of the management of contracts in the following areas:</p> <ul style="list-style-type: none"> • contract documentation and records • people (ensuring the right people are in place to carry out the contract) • administration (managing the physical contact and the timetable for making key decisions) • managing relationships (developing strong internal and external relationships that facilitate delivery) • managing performance (ensuring the service is provided in line with the contract) • payment and incentives (ensuring payments are made to the supplier in line with the contract and that appropriate incentive mechanism are in place and well managed) • understanding and managing contractual and supplier risk • contract development (effective handling of changes to the contract) <p>Recommendations were made in respect of 1 high, 4 medium and 3 low risk findings. All recommendations were accepted by management.</p> <p>The high risk finding related to contracts not being signed or copies of the contract/agreement not being held.</p>
<p>Housing – tenants Private Sector Leasing</p> <p>Assurance rating: Some improvement required ★★★</p>	<p>The private sector leasing (PSL) scheme is one of the initiatives used by the Exeter Empty Homes team to bring empty properties back into use with the co-operation of the owners. The scheme also helps families in real need of housing find access to good quality houses. All prospective tenants are households referred to the Council's Housing Options team. The PSL scheme works by the landlord renting the property to the Council, who then sub-let it to the chosen tenant and manage the property on a day to day basis. The landlord does not have to have any direct dealings with the tenant and receives a guaranteed monthly income.</p> <p>The objective of the audit was to review the effectiveness of the internal controls in place and the procedures in operation within the Private Sector Leasing (PSL) process</p> <p>Recommendations were made in respect of 1 high, 9 medium and 1 low risk finding. All recommendations were accepted by management with the exception of 2. These have been included in the main report for consideration by the Audit and Governance Committee (pending response from SMT 16/2/16)</p> <p>The high risk finding related to rental payments to landlords.</p>

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REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 9 March 2016

Report of: Assistant Director Finance

Title: CODE OF CORPORATE GOVERNANCE – 2016/17

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 The report sets out the proposed updated Code of Corporate Governance.

2. Recommendations:

It is recommended that:

2.1 Audit and Governance Committee supports and Council approves the updated Code of Corporate Governance for 2016/17;

3. Reasons for the recommendation:

3.1 The Council is required to prepare and publish an Annual Governance Statement by Regulation 4 of the Accounts and Audit (England) Regulations 2011. It reports on the Council's performance against the Code of Corporate Governance. As the Code is out of date, it is necessary to update the Code to ensure that the Annual Governance Statement is accurate and meaningful.

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

4.1 There are no resource implications contained within the report.

5. Section 151 Officer comments:

5.1 The production of the Code of Corporate Governance is considered best practice. However the requirement to produce an Annual Governance Statement, which reports on the Council's performance with reference to the Code is a statutory requirement.

6. What are the legal aspects?

- 6.1 The Annual Governance Statement, which reports on performance against the Code of Corporate Governance complies with Regulation 4 of the Accounts and Audit (England) Regulations 2011

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report details:

- 8.1 The Code of Corporate Governance is required to be updated annually. The updated Code is attached at Appendix A.
- 8.2 Other than minor updating, there are no significant changes to the Code.

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

- 9.1 This is a statutory requirement and does not contribute directly to the Council's Corporate Plan.

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

- 10.1 There are no direct risks associated with this report

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

- 11.1 Not applicable

12. Are there any other options?

- 12.1 Not applicable

Assistant Director Finance

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

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

EXETER CITY COUNCIL

CODE OF CORPORATE GOVERNANCE 2016/17

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.

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 purposes and to consider whether those purposes 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 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 **Corporate Plan 2015/16** and its **Purposes** support the themes of the Exeter Vision. They are reviewed regularly.
- Each member of staff has an **Annual Growth & Development Review** where they review performance against targets and set objectives for the forthcoming year.
- 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 available on the website and publicised 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.
- Budget Monitoring is reported to Councillors quarterly, and is reviewed monthly by the Strategic Management Team. This is supported by an established budget monitoring process by managers and Finance 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 Audit & Governance 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 & Growth Director (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: -

- Counter Fraud 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's Audit & Governance Committee advises 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, which will comprise 39 Members from May 2016, 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. In June 2013, the Council set up the Audit & Governance Committee, which is independent from the Executive and reports directly to Full Council. Its role is to approve and review the work of Internal Audit, monitor risk and governance issues, approve the Council's Statement of Accounts and respond to all External Audit reports.
- 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 reported on the Council's internet. 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;
 - Access to Information (incorporating Data Protection and Freedom of Information);
 - Risk Management.
- 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.
- 6.8 The Council maintains a corporate risk register. Its purpose is for reporting quarterly to the Audit & Governance Committee - the 'High', 'Medium' and 'Low' corporate risks, mitigating actions agreed and taken, etc. so that risk management progress can be monitored.

- 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 Growth & Development Review 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:

- 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;
- Audit & Governance Committee monitors the effectiveness of risk management, Internal Audit and the system of internal control. Budget monitoring reports are also presented to both Scrutiny Committee Economy and Scrutiny Committee Community quarterly;
- Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks and cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks are reported on a quarterly basis to the Audit & Governance Committee;
- The Monitoring Officer provides assurance that the Council has complied with its statutory and regulatory obligations;
- Annual reviews of the Council's financial accounts and records by the External Auditors leading to their opinion as published in the year-end statements;
- Ongoing reviews of strategic and operational risks in each service area and the conduct of risk analysis and management in respect of major projects undertaken by the Council;
- Reviews and, where appropriate, updates of the Council's Financial Regulations and Standing Orders.

10. DATE OF NEXT REVIEW

10.1 The Code of Corporate Governance will be reviewed annually by the Section 151 Officer in consultation with the Policy Unit and presented to the meeting of the Audit & Governance Committee in March 2017.

REPORT TO Audit & Governance Committee

Date of Meeting: 9 March 2016

Report of: Corporate Manager Legal Services and Monitoring Officer

Title: MEMBERS COMPLAINTS PROCEDURE UPDATE

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To agree the Complaints Procedure in respect of any complaints that may be received that a member has breached the provisions of the Code of Conduct.

2. Recommendations:

- 2.1 To approve the Complaints Procedure attached at Appendix A to this report.

3. Reasons for the recommendation:

- 3.1 To ensure that any complaint which may be received is dealt with swiftly and consistently by the Monitoring Officer.

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

- 4.1 There are no resource implications arising from this report.

5. Section 151 Officer comments:

- 5.1 The report raises no issues for the Section 151 Officer to consider.

6. What are the legal aspects?

- 6.1 Section 27 of the Localism Act imposes a duty on Authorities to promote and maintain high standards of conduct by members and co-opted members of the authority.

7. Monitoring Officer's comments:

- 7.1 The Monitoring Officer is responsible for dealing with any allegation that a member of Exeter City Council has breached the provisions of the Code of Conduct.

- 7.2 The Monitoring Officer recommends that Council adopts the procedure set out in Appendix A in order to ensure that any complaint received by her is dealt with:

- (a) Promptly and consistently and
- (b) In accordance with criteria set out in the Procedure recommended for approval.

8. Report details:

- 8.1 All complaints have to be made formally in writing. A formal complaints form has been in place for some time and this is attached in appendix B for members' information.

The Members Code of Conduct regulates the behaviour expected from members when they are acting in an official capacity. The Complaints Procedure sets out an effective but simple procedure to allow the Monitoring Officer to deal with any written complaints promptly and consistently.

- 8.2 The procedure sets out clear time limits for each stage of the process so that both the complainant and the member who is subject of a complaint can understand the process and feel confident that the procedure is transparent, fair, effective and prompt.

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

- 9.1 A robust Members complaints procedure contributes to the Council's purpose of a "Well Run Council"

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

- 10.1 There are no risks associated with the proposals.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

- 11.1 None

12. Are there any other options?

- 12.1 Not applicable

Baan Al-Khafaji
Corporate Manager - Legal Services and Monitoring Officer

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:-

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

Exeter City Council

Audit & Governance Committee

Dealing with Members Complaints

1. Definitions

Term	Meaning
Code of Conduct	The Exeter City Council Code of Members' Conduct
Complainant	The person who has made the complaint to the Monitoring Officer about the Councillor
Council	Exeter City Council
Councillor	The Councillor against whom the complaint has been made
Hearing	A hearing of the Hearing Panel to decide whether the Code has been breached and what (if any) sanctions should apply
Hearing Panel	A subcommittee of the Audit & Governance Committee responsible for carrying out Hearings
Independent Person	A person appointed under the Localism Act 2011 in an advisory and consultative role in relation to Code of Conduct complaints
Investigating Officer	A person appointed by the Monitoring Officer to carry out an investigation into allegations of a breach of the Code
Investigating Officer's Report	The Final Report written by the Investigating Officer following investigation
Monitoring Officer	Includes her nominated representative or persons appointed on her behalf
Officer	An employee of the Council
Audit & Governance Committee	The Council's Audit & Governance Committee

Audit & Governance Committee Sub-Committee	A sub-committee of three member appointed by the Audit & Governance Committee
Within specified number of working days	These are the targets that the Council has set itself in order to deal with matters and will use all reasonable endeavours to meet these targets

Introduction

The Localism Act 2011 requires the Council to:

- Adopt a Code of Members' Conduct
- Make arrangements for dealing with complaints
- Appoint Independent Person(s)

The Code of Conduct

The Code deals with conduct expected of councillors when they are acting in an official capacity. The Code also includes provisions for registering and declaring pecuniary and other interests.

The Council has adopted a Members' Code of Conduct which can be inspected on the Council's website.

Arrangements for dealing with Complaints

This document sets out how the Council will deal with complaints that a City Councillor has breached the authority's Code of Conduct. The complaint will be dealt with by the Monitoring Officer and/or the Audit & Governance Committee in consultation with the Independent Person.

The Audit & Governance Committee and its sub-committees

The Audit & Governance Committee has overall responsibility for the Code of Conduct and standards functions under the Localism Act 2011. The Audit & Governance Committee may appoint subcommittees to deal with specific matters.

Independent Person

The Council must appoint at least one **Independent Person**. The Independent Persons are not members of the Council and their role is advisory and consultative.

The Independent Person's views:

- **must be** sought by the Monitoring Officer/Audit & Governance (sub)Committee before a decision is made to investigate a complaint
- **may be** sought at any other stage by the:
 - Monitoring Officer
 - The Audit & Governance Committee (or Sub-committee)
 - Councillor (the subject of the Complaint)

Matters not covered by this procedure

This procedure does not deal with complaints about matters that are not covered by the Members' Code of Conduct. Complaints about:

- a decision or action of the Council or one of its committees
- a service provided by the Council
- Council Officers (employees)

should be made under the Council's Corporate Complaints Procedure (please see the Council's website).

Also, the Council **cannot** deal with a complaint which relates to:

- People who are not members (i.e. councillors) of the Council
- Conduct which occurred when the Councillor was not a member of the Council
- Conduct which applies in a Councillor's private life; the Code only applies to a councillor's behaviour as a member of the Council.
- Conduct which occurred when the Councillor was acting as a member of another authority.
- Complaints that a councillor has committed an offence under the Localism Act (such as failing to declare a Disclosable Pecuniary Interest). Such complaints may be referred to the Police.

How to complain

Any complaints about the conduct of an Exeter City Council Councillor or co-opted member must be made **in writing** to:

The Monitoring Officer
Exeter City Council
Paris Street
Exeter
EX1 1JN
Email: BKhafaji@exeter.gov.uk

There is a **Code of Conduct Complaint Form** available on the Council's website and paper copies are available from the Monitoring Officer.

Help

Although complaints should be made in writing, we can make reasonable adjustments to assist anyone who has a disability that prevents him/her from making a complaint in writing. We can also help if English is not the Complainant's first language.

Receipt of complaints

Request for further information

In order to come to a decision, the Monitoring Officer (or the Audit & Governance (sub) Committee) may request additional information or clarification (at any time) from:

- the Complainant
- the Councillor

NB. It is important to note that not every complaint about a breach of the Code of Conduct will be referred for investigation or local resolution. The Monitoring Officer will decide what action is appropriate, based on adopted criteria.

Assessment of Complaint

Assessment by the Monitoring Officer

The Monitoring Officer will:

- acknowledge receipt of the complaint **within 10 working** days
- write to advise the Complainant what happens next
- write to the Councillor to advise that a complaint** has been received and ask the Councillor to provide written comments on the complaint (within a specified time)
- advise the Councillor of the Independent Person appointed and advise that s/he can consult the Independent Person
- consult the Independent Person (providing full details of the complaint, the Councillor's response and any other relevant factual information)

** The Complainant's details will only be withheld in exceptional circumstances where a request for confidentiality has been granted (see 'Confidentiality' below).

The Monitoring Officer will consider the complaint:

- on its merits and according to the facts,
- in the context of any written submissions and supporting documentation from the Councillor,
- taking into consideration any response from the Independent Person

The Monitoring Officer will make one (or more) of the following decisions:

The Monitoring Officer will make one of the following decisions:

- To take no further action (in accordance with the Criteria set out below)
- To make no finding as to whether there has been a breach of the Code but seek to resolve the complaint informally
- To refer the complaint for investigation to determine whether there has been a breach of the Code

- To refer the matter to the Police where the complaint alleges that a criminal offence may have occurred under Chapter 7 of the Localism Act

Within 10 working days of making the Decision, the Monitoring Officer will write to notify the Complainant and the Councillor of the decision and explain how it has been made and why in accordance with Notification of Decisions set out below.

To take no further action

The Monitoring Officer will take no further action if the complaint:

- falls outside of the scope of the Code of Conduct or
- falls within one or more of the **Criteria** set out below

If no further action is to be taken then the Monitoring Officer will write to the Complainant and the Councillor with this decision and reasons. This will then be the end of the matter.

Criteria: no further action at assessment stage
• The complaint does not disclose any breach of the Code
• It has not been possible to determine whether there has been a breach of the Code and the alleged conduct does not merit an investigation having regard to the public interest.
• Action has already been taken on the matter and there is no merit in pursuing the matter any further
• The complaint is the same, or substantially, the same as a complaint previously dealt with
• The conduct complained of happened so long ago that it is considered to be inequitable, unreasonable or otherwise not in the public interest to pursue
• The complaint is trivial or insubstantial or discloses such a minor or technical breach of the Code that it is not in the public interest to pursue
• The complaint is (or appears to be) malicious, politically motivated, tit-for-tat or otherwise submitted with an improper motive
• The complaint is not considered to disclose sufficiently serious potential breaches of the code to merit further consideration

<ul style="list-style-type: none"> • The complaint is covered by the Council's Persistent and Vexatious Complaints Policy
<ul style="list-style-type: none"> • The Councillor has provided a satisfactory remedy to the complaint or made reasonable endeavours to do so
<ul style="list-style-type: none"> • The complaint is about a Councillor who is no longer a councillor and there are no overriding public interest reasons to merit further consideration
<ul style="list-style-type: none"> • The complaint is an anonymous complaint

Informal Resolution

The Monitoring Officer may decide to seek to resolve the complaint informally without the need for a formal investigation.

The decision to resolve the complaint informally will normally be an alternative to a referral for investigation, and the purpose will not be to determine whether or not the Councillor has breached the Code. In such cases, the Monitoring Officer will make it clear to the parties involved that no conclusion has been reached about what happened and no decision has been made as to whether or not the Councillor has breached the Code of Conduct.

If the Monitoring Officer decides that informal resolution is appropriate, then the complaint cannot be referred back to the Monitoring Officer if the informal resolution is perceived to have failed. If further concerns are raised, they will need to be reported as a new complaint.

The following actions may be appropriate for informal resolution:

- apology
- explanation
- training
- meditation or conciliation
- referral to Political Group Leader
- any other steps (not including investigation) which appear appropriate

If the Councillor makes a reasonable offer of local resolution, but the Complainant is not willing to accept that offer, then the Monitoring Officer will take that into account in deciding whether the complaint merits formal investigation.

Complaints **should not** be referred for informal resolution when:

- An investigation is in the public interest
- An allegation challenges the Councillor's honesty or integrity

Criteria: Informal Resolution
<ul style="list-style-type: none">• Less serious complaints
<ul style="list-style-type: none">• The Councillor accepts that there are grounds for the complaint and offers an apology
<ul style="list-style-type: none">• A general breakdown in relationships:<ul style="list-style-type: none">• (including those between members and officers)• evidenced by a pattern of allegations of minor breaches• where there is interpersonal conflict• allegations and retaliatory allegations from the same councillors particularly where this is to such an extent that it becomes difficult to conduct the business of the Council.
<ul style="list-style-type: none">• Complaints where the public interest in conducting an investigation does not justify the costs of an investigation
<ul style="list-style-type: none">• Poor understanding (by Councillor or Councillor's authority) of the Code and relevant procedures
<ul style="list-style-type: none">• Where informal resolution provides the best opportunity to resolve the issue, prevent any similar issues arising in the future and promote good governance.

To refer the complaint for investigation

Where the Monitoring Officer decides that a complaint merits a formal investigation, the Monitoring Officer will appoint an Investigating Officer. Complaints will normally be referred for investigation where there are potentially serious breaches of the Code and/or where it would be in the public interest.

The Investigating Officer may be:

- the Monitoring Officer
- another officer of the Council
- an officer of another Authority
- an external investigator

The Investigating Officer will:

- decide whether to conduct interviews or invite statements
- decide who to interview (by phone or in person at the Investigating Officer's discretion)
- ask for relevant supporting documentation from any of the relevant parties
- send a copy to the Monitoring Officer
- ask for the Independent Person's comments on the draft Report
- have regard to any comments made on the draft report and will accept those comments at his/her discretion
- submit a Final Report to the Monitoring Officer setting out (with reasons) whether s/he considers that the Councillor has breached the Code.
- whilst the investigation will be undertaken as expeditiously as reasonably practicable, it is not possible to specify a timescale within which the investigation must be concluded.

Referral to the Police or other regulatory authorities

If the complaint identifies criminal conduct under the Localism Act 2011 (or a breach of other regulations by any other person) the Monitoring Officer may refer the matter to the Police or other regulatory authority.

It may not be appropriate to progress the complaint through this procedure for potential breach of the Code in such circumstances, until the conclusion of the Police investigation.

Notification of Decisions

The Monitoring Officer's decision will be set out in a **Decision Notice**. Within **ten working days** of the decision being made, the Monitoring Officer will send the Decision Notice to the relevant parties, including:

- the Complainant
- the Councillor

The **Decision Notice** will:

- Summarise the complaint
- Give the decision
- Give reasons for the decision
- Explain that there is no right of appeal

Outcomes of an Investigation

The Investigating Officer will make one of the following findings:

- that the Code has not been breached
- that there has been a breach of the Code.

Investigating Officer decides that the Code has not been breached

The Monitoring Officer will (**within 14 working days**) of receipt of the Investigating Officer's Final Report:

- Send a copy of the Report to the Complainant and Councillor

This will normally be the end of the matter, and no further action will be taken.

Investigating Officer decides that the Code has been breached

Where the Investigating Officer finds that the Code has been breached the Monitoring Officer will (in consultation with the Independent Person):

- Facilitate a **local resolution** where appropriate
- Refer the matter to the Hearing Panel for a '**paper hearing**' where the Councillor accepts the Investigating Officer's Report.
- Refer the matter for a **Hearing** before the Hearing Panel

Local Resolution

After an Investigating Officer's finding of a breach, the Monitoring Officer may consider that the matter may be reasonably resolved without the need for a formal hearing. In such cases she will consult:

- the Independent Person
- the Complainant
- the Councillor

to try and agree a local resolution which satisfies both parties, and which will seek to ensure a higher standard of conduct in the future.

Such resolution may include:

- the Councillor agreeing that his/her behaviour was unacceptable
- the Councillor offering an apology
- the Councillor offering other remedial action

If the Councillor complies with the suggested resolution the Monitoring Officer will report the matter to the Audit & Governance Committee and that will be the end of the matter.

'Paper' Hearing

The matter may be dealt with by way of a 'paper' hearing where:

- local resolution is not appropriate or possible, or
- where local resolution is not appropriate, the Councillor accepts the findings of the Investigating Officer's Report and does not wish to make any further representations (save for written representations on possible sanctions) on the Report at a formal Hearing
- there are no overriding public interest or other reasons why the matter should be referred to a formal Hearing.

Hearing

The Monitoring Officer will refer the matter to the Hearing Panel for a Hearing where:

- local resolution is not appropriate or possible, or
- the Complainant and/or the Councillor do not co-operate in any local resolution
- the Councillor does not wish to deal with the matter without a formal hearing.

A hearing is a **public meeting** in which the Councillor and the Investigating Officer will be asked to make representations to the Hearing Panel before it decides:

- whether the Councillor has breached the Code of Conduct
- what action (if any) to recommend
- what sanctions (if any) to apply

Hearing outcomes

- That there has been no breach of the Code
- That the Code has been breached

The Hearing Panel has no power to:

- suspend members
- disqualify members
- withdraw members' allowances

Other issues relating to complaints

Confidentiality

As a matter of fairness and in the interests of natural justice, a Councillor should normally be told that a complaint has been made and by whom.

However, there may be instances when the Complainant asks for his/her identity to be withheld. Such requests will only be granted in exceptional circumstances and at the discretion of the Monitoring Officer. The Monitoring Officer may consult the Independent Person.

The following criteria will be taken into account when considering requests for confidentiality:

- Complainant has reasonable grounds for believing that s/he (or someone else) will be at a risk of physical harm if his/her identity is disclosed
- Complainant is an officer who works closely with the Councillor and is afraid of the consequences to his/her employment if identity is disclosed
- Complainant (or someone else) suffer from serious health condition and there are medical risks associated with his/her identity being disclosed. In such circumstances the Monitoring Officer may wish to request medical evidence.

The Complainant will be asked if s/he wishes to withdraw the complaint where:

- it is not possible to pursue the complaint without revealing the Complainant's identity (e.g. allegations of bullying), or
- the Complainant's request for confidentiality is refused.

In some circumstances the public interest in proceeding with an investigation may outweigh the Complainant's wish for confidentiality. The Monitoring Officer will decide where the balance lies in the particular circumstances of each complaint.

Withdrawal of complaints

Requests to withdraw complaints will normally be granted but in considering such requests the Monitoring Officer will consider the following:

- Does the public interest in taking some action on the complaint outweigh the Complainant's wish to withdraw it?
- Can the complaint be investigated without the Complainant's participation?

- Is there an identifiable underlying reason for the request to withdraw the complaint?

Multiple complaints

Several complaints may be received from different complainants on the same matter and these may be considered by the Monitoring Officer at the same time.

Anonymous complaints

Anonymous complaints will only be referred for investigation if the complaint includes documentary or other evidence showing an exceptionally serious or significant matter.

Where a councillor ceases to be councillor

If at any time during the Complaints process the Councillor ceases to be a Councillor for whatever reason, then (unless there are overriding public interest reasons to merit continuing with the process) the complaint will not be considered any further and the matter closed.

Other issues

Public access to meetings and records

- The initial assessment and consideration of the complaint by the Monitoring Officer (and consultations with the Independent Person) will take place in private i.e. the public and press are not allowed to attend these meetings. This is because these meetings may have to consider unfounded and potentially damaging complaints against councillors which it would not be appropriate to make public.
- Initial assessment and consideration papers that do not progress past the initial assessment stage will not be disclosed to the public. (However the original complaint will be disclosed to the councillor and Independent Person – see above).

- Formal Hearings (but not Paper Hearings) will be open to the public and press unless exempt information under Schedule 12A of the Local Government Act 1972 is likely to be disclosed. The Hearing Panel may exercise its discretion to exclude the public and press from all or part of the Hearing.
- Documents relating to complaints that have not been referred for investigation will be kept for 12 months.
- Other documentation will be kept in accordance with the Council's records retention policy.
- Decision Notices will be available for inspection (but not publication) for 6 years from the date that Decision has been notified to the Councillor.
- Papers relating to Committee and sub-committee meetings will be kept for 6 years from the date of the meeting. However, sections of documents relating to parts of the Hearing that were held in private (or paper hearing papers) will not be made available for public inspection.
- Data Protection requirements will be considered and complied with and may prevent disclosure of some documents.

Conflicts of interest

The consideration of complaints must be conducted with impartiality and fairness. If any officer, member or Independent Person has any personal or professional conflict of interest in relation to a complaint s/he should have no (further) involvement in dealing with that complaint.

Independent Person

Where an Independent Person has a conflict, another Independent Person will be appointed to deal with that matter.

Complaints about dual-hatted councillors

Councillors who belong to more than one authority may have breached more than one Code of Conduct, and it is therefore possible that the Monitoring Officer of more than one authority may receive a complaint on the same matter.

Variation and Review of this procedure

This Procedure may be amended from time to time by the Monitoring Officer to take in to account any changes in law, guidance as to best practice or in the light of experience.

Appeals

There is no right of appeal by the Complainant or the Councillor against the decision of:

- the Monitoring Officer
- the Audit & Governance Committee (or its subcommittees)
- the Hearing Panel

Exeter City Council

Code of Conduct Complaint Form

Please use this form if you want to make a complaint that an Exeter City Council Councillor has breached the Code of Conduct.

Details about how your complaint will be considered, the stages of the assessment and potential outcomes if your complaint is upheld, can be found in the Council's documents called 'Dealing with Members Complaints'.

Please send the completed complaint form to:

Email: BKhafaji@exeter.gov.uk

Post: The Monitoring Officer

Exeter City Council

Paris Street

Exeter

EX1 1JN

1. Your details - please provide us with your name and contact details

Full name and title	
Address:	
Daytime telephone:	
Mobile telephone:	
Email address:	

2. Please tell us which complainant type best describes you:

Member of the public

An elected or co-opted member of the Council

Council officer

Other (please state)

3. Making your Complaint

Please provide us with the full name(s) of the councillor(s) you believe have breached the Code of Conduct:

	First name	Last name
Councillor		

4. Details of your complaint

Please explain in the box below why you consider that the councillor has breached the adopted Code of Conduct. If you are complaining about more than one councillor, you should clearly explain what each individual councillor has done that you believe breaches the Code of Conduct. It is important that you provide all the information you wish to have taken into account when your complaint is considered.

For example:

- You should be specific about exactly what you are alleging the councillor said or did. For example, as well as writing that the councillor insulted you, you should state what it was s/he said;
- You should provide the dates of the alleged incidents wherever possible. If you cannot provide exact dates it is important to give a general timeframe;
- You should confirm whether there are any witnesses to the alleged conduct and provide their names and contact details if possible
- You should attach any relevant background information and documents.

Please provide us with the details of your complaint.

Please continue on a separate sheet if there is not enough space on this form.

5. Confidentiality

Only complete this section if you are asking that your identity is kept confidential. Please note that a request for confidentiality can only be granted in exceptional circumstances.

Please provide us with details of why you believe we should withhold your name and/or withhold the details of your complaint:

6. Additional help

Complaints must be submitted in writing. This means you can send an email or a paper copy of your complaint (please see the details at the beginning of this form).

However, in line with the requirements of the Disability Discrimination Act 2000, we can be happy to make reasonable adjustments to assist you if you have a disability that prevents you from making your complaint in writing. We can also help if English is not your first language. If you need any support in completing this form, please let us know as soon as possible.

Signed:

Date:

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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