

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 13 March 2019
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 Mark Devin, Democratic Services Officer on 01392 265477.

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

Membership -

Councillors Vizard N (Chair), Wood (Deputy Chair), Begley, Foggin, Mrs Henson, Lamb, Musgrave, Pattison, Sheldon, Thompson and Warwick

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 approve and sign the minutes of the meeting held on 5 December 2018.

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**

RECOMMENDED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of item 12 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.

5 **External Audit Progress Report and Technical Update**

	To consider the report of the Council's External Auditor.	(Pages 3 - 18)
6	External Auditors Certification Work	
	To consider the report of the Council's External Auditor.	(Pages 19 - 44)
7	ISA 240 2018/19 Letter	
	To consider the report of the Council's External Auditor.	(Pages 45 - 48)
8	Annual Internal Audit Plan	
	To consider the report of the Audit Managers.	(Pages 49 - 66)
9	Internal Audit Progress Report	
	To consider the report of the Audit Managers.	(Pages 67 - 80)
10	Internal Audit Charter	
	To consider the report of the Audit Managers.	(Pages 81 - 92)
11	Code of Corporate Governance	
	To consider the report of the Chief Finance Officer.	(Pages 93 - 98)

Part II: Items suggested for discussion with the press and public excluded

12	Review of Corporate Governance Risk Register	
	To consider the report of the Policy Officer.	(Pages 99 - 112)

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 24 July 2019 at 5.30 pm

Find out more about Exeter City Council by looking at our website <http://www.exeter.gov.uk> . This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on 01392 265107 for further information.

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Audit Progress Report and Sector Update

Page 3
Exeter City Council
Year ending 31 March 2019
Committee Date: 13 March 2019



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Introduction



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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Members of the Audit and Governance Committee can find further useful material on our website (www.grant-thornton.co.uk) where we have a section dedicated to our work in the public sector and where you can download copies of our publications.

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

Progress at 15 February 2019

Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements. This is a separate agenda item for the Audit and Governance Committee meeting on 13 March 2019 and have reported findings from this work to you on page 6.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We will discuss our plan and timetable with officers.

The findings will be reported to you in the Audit Findings Report.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach are included in our Audit Plan. This is included as a separate agenda item.

We will report our work in the Audit Findings Report.

Other areas

Certification of claims and returns

The certification of your Housing Benefits return is no longer covered by Public Sector Audit Appointments Ltd and Councils need to appoint their own reporting accountants.

The Council has appointed Grant Thornton for this work in 2018/19 and 2019/20 and has notified the DWP accordingly.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Exeter City Council was represented at our Financial Reporting Workshop in Plymouth on 12 February.

These workshops are designed to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Committee Date	Status
Fee Letter We wrote to the Council's Chief Executive confirming the audit fee for 2018/19 in April 2018.	July 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2018/19 financial statements.	March 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Complete
Audit Findings Report We plan to report to the July Audit and Governance Committee.	July 2019	Not yet due
Auditors Report We plan to report to the July Audit and Governance Committee.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	September 2019	Not yet due
Annual Certification Letter This letter will report any matters arising from our certification work carried out in 2018/19.	December 2019	Not yet due

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have reviewed the reports issued to date by your Internal Auditors.</p> <p>We have written to Internal Audit regarding fraud and irregularities in accordance with the requirements of ISA 240.</p>	<p>Our review of internal audit's work to date has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment with a focus on the areas that could affect the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

	Work performed	Conclusions and recommendations
Review of information technology controls	We will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system.	Work has not yet been fully completed and will be a joined-up review for all organisations supported by Strata.
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>We performed walkthroughs for Journals, Operating Expenditure, Revaluations, Payroll and Pensions.</p> <p>Our work has identified control weaknesses in the areas of purchase authorisations and journals controls.</p> <p>No weaknesses were identified thus far in the design and implementation of controls relating to payroll, pensions and revaluations.</p>	<p>The control weaknesses identified in respect of journals are mitigated by additional checks performed by Council officers. This will be taken into consideration during our testing which will not vary significantly from the original plan.</p> <p>Our interim audit work identified that 80% of all Service expenditure is procured without the use of purchase orders. It is possible that orders (and the committal of the Council to the expenditure) are therefore not authorised until the point that invoices are received for payment.</p> <p>We are working with Council officers to fully understand the deficiencies in purchasing authorisations. This is likely to have a significant impact on our testing strategy.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>A control weakness has been identified relating to users self-authorising journal entries. There is a heightened risk of the weakness affecting the financial statements but the Council have a mitigating control in place to review such journals.</p>	<p>The identified weakness in the journals authorisation process will be taken into consideration during testing.</p> <p>We will review the Council's internal checks to see if they are effective in detecting or correcting misstatements.</p> <p>Testing will be undertaken during final accounts audit.</p> <p>We recommend that there is a separation of duties for raising and authorising journals where practicable.</p>

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:



Public Sector



Local
government

Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

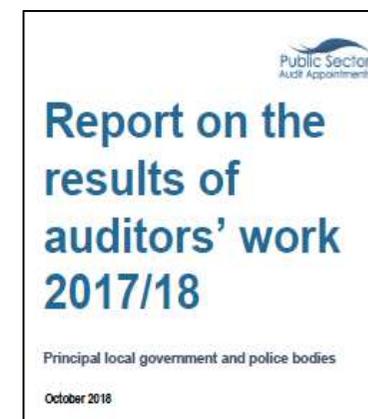
The report is available on the PSAA website:

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

PSAA Report

Challenge question:

Has your Authority identified improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?



National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

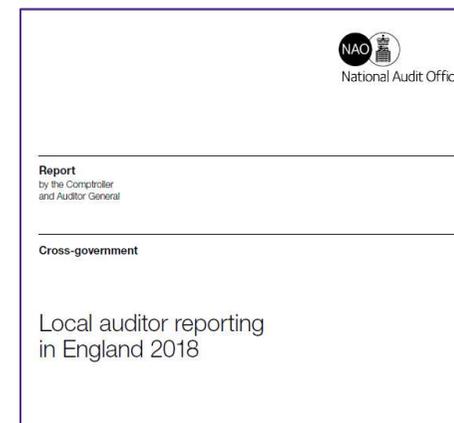
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



NAO Report

Challenge question:

Has your Authority responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?



National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

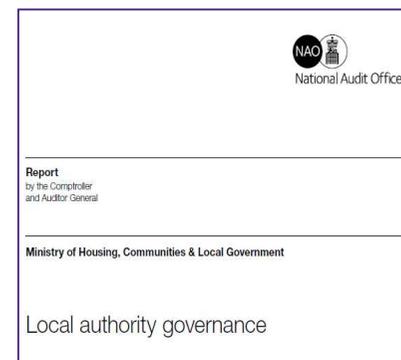
The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

NAO Report

Challenge question:

Has your Authority got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

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CIPFA Consultation

Challenge question:

Has your Chief Finance Officer briefed members on the Council’s response to the Financial Resilience Index consultation?



ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

• **Short-term solvency vs. Longer-term value:**

LG & NHS: Facing financial pressures, oversight & governance pressures

• **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'

• **Other powers and duties:** implementing public interest reports in addition to VFM

• **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.

• **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'

• **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.

• **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.

• **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role

• **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



The expectations gap

Challenge question:

How effectively is the audit meeting client expectations?



Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies. Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

Your organisation – including considerations on workforce, funding, and changes to legislation

Your services and suppliers – ensuring that critical services are protected and building resilience within supply chains

Your place – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

Brexit

Challenge question:

How well advanced are your authority's plans for Brexit?



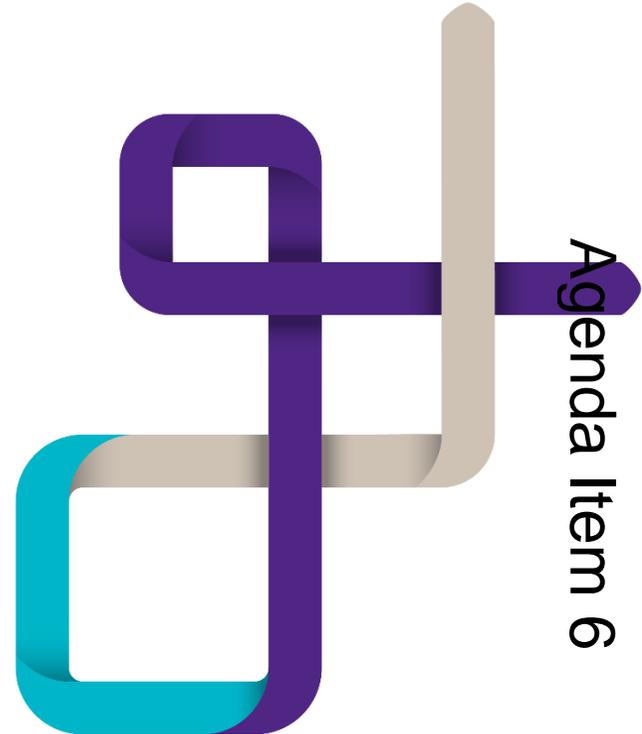
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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

External Audit Plan

Year ending 31 March 2019





Your key Grant Thornton
team members are:

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

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Introduction & headlines

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Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Exeter City Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Exeter City Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

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Group Accounts

The Authority considers it likely that it will need to prepare group financial statements that consolidate the financial information of Exeter City Living Limited (ECL) as it considers the company is material when viewed alongside the City Council. This is the first time that group accounts will be prepared by the Council.

Significant risks

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

- Management override of controls
- Production of group accounts
- Valuation of land and buildings
- Valuation of pension fund net liability
- Operating expenses

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.8m (PY £2m) for the Authority, which equates to 1.8% of your prior year gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £90k (PY £95k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Follow-up of the issues raised by your predecessor auditors on procurement
- The establishment of Exeter City Group Limited
- The re-development of the bus station and surrounding area
- The delivery of a sustainable medium term financial plan

Audit logistics

Our interim visit took place in February 2019 and our final visit is expected to take place in June and July and we will agree a timetable with your finance team. Our key deliverables are this Audit Plan and our Audit Findings Report.

The indicative fee set by Public Sector Audit Appointments Ltd (PSAA) for the audit is £44,573 (PY: £57,887) for the Authority. This is based on the assumption that there were no significant changes to the work required. As noted on the previous page, the Council is likely to prepare group accounts for the first time. This is a significant risk and will require additional audit work which will result in an increase to the indicative fee. We will agree this with the Council's Chief Finance Officer and the Audit and Governance Committee. This fee revision will also need to be approved by PSAA. The level of the audit fee is also subject to the Authority meeting our requirements set out on page 14.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Key matters impacting our audit

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External Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Exeter City Council, the medium term financial plan shows that significant savings are required in order to achieve a balanced financial position and that the Council is planning a use of its reserves in 2018/19 in order to achieve its budget.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty.

The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and its support for local people and businesses.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

We expect IFRS 9 to have the greatest impact for Exeter City Council.

Internal Factors

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

Creation of new subsidiary

Exeter City Living Limited (ECL) was incorporated on 12 June 2018 and during 2018/19 a loan of £2.2m has been made by the Council to ECL. This is a material transaction and thus the Council expects that group accounts will be required.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.
- We will keep a watching brief on your preparations for Brexit and will assess whether there are any implications for the Council and our audit.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs.
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

- We have identified ECL as a significant audit risk for our financial statements audit and will ensure that these arrangements are accounted for correctly.
- We will assess the governance arrangements as part of our VFM conclusion work.

Significant risks identified

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Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable <p>We therefore do not consider this to be a significant risk for Exeter City Council.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate the design effectiveness of management controls over journals• analyse the journals listing and determine the criteria for selecting high risk unusual journals• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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Significant risks identified (cont'd)

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Group Accounts	<p>The Authority considers it likely that it will need to prepare group financial statements that consolidate the financial information of Exeter City Living Limited (ECL) as it considers the company is material when viewed alongside the City Council. This is the first time that group accounts will be prepared by the Council.</p>	<p>We will:</p> <ul style="list-style-type: none">• review the key agreements to gain an understanding of the arrangements put in place on the establishment of the company• understand the level and nature of transactions of ECL in 2018/19• review management's assessment regarding the requirement for group accounts• determine the scope of the work required in 2018/19. We will communicate this to the Audit and Governance Committee alongside any fee implications.
Valuation of land and buildings	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (c. £390 million at 31 March 2018) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• evaluate the competence, capabilities and objectivity of the valuation expert• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding• test revaluations made during the year to see if they had been input correctly into the Authority's asset register• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Valuation of land and buildings
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Significant risks identified cont'd

DRAFT

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£114 million in the Authority's balance sheet at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none">• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report• obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Significant risks identified cont'd

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Operating expenses	<p>Our interim audit work identified that 80% of all Service expenditure is procured without the use of purchase orders. It is possible that orders (and the committal of the Council to the expenditure) are therefore not authorised until the point that invoices are received for payment.</p> <p>We are working with Council officers to fully understand the deficiencies in purchasing authorisations. This is likely to have a significant impact on our testing strategy.</p>	<p>We will:</p> <ul style="list-style-type: none">ask management to review the procurement process and identify any compensating controls that may be in placeassess the design and operational effectiveness of the Council's operating expenses systemdesign our audit programme to reflect the outcome of the above so that we are able to obtain sufficient assurance in this area. <p>We will keep the Audit and Governance Committee up to date on our findings and any revisions to our audit strategy.</p>

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State;
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

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The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

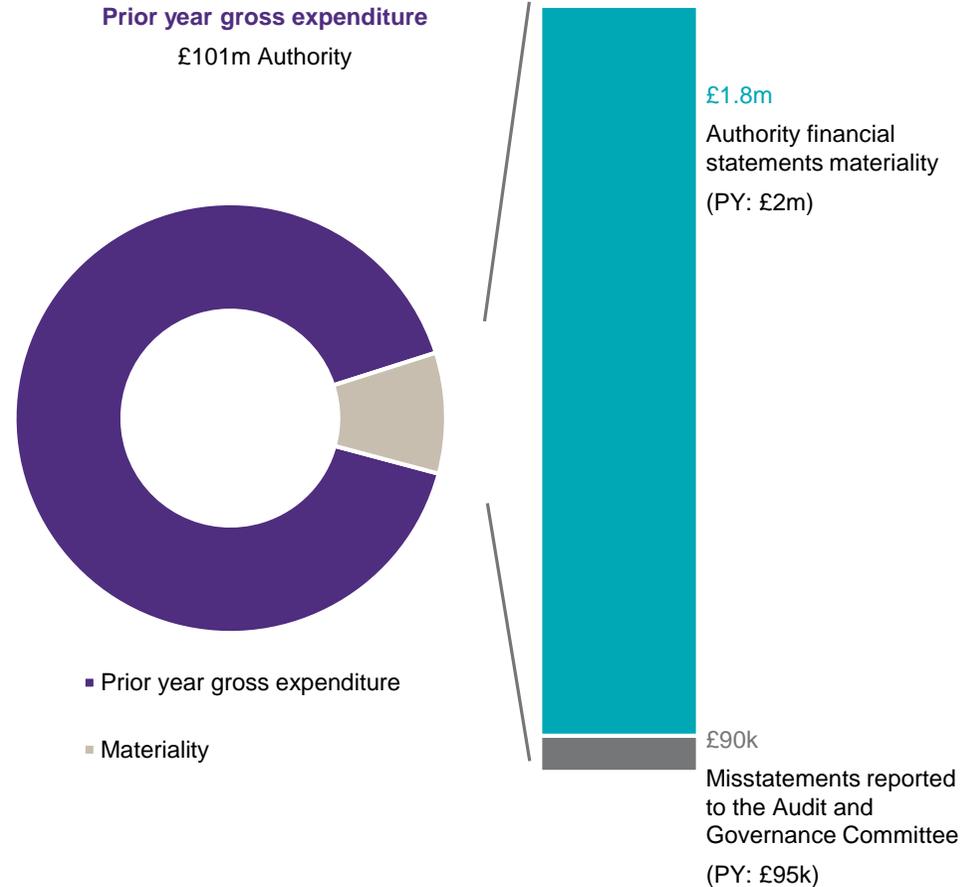
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. Materiality at the planning stage of our audit is £1.8m (PY £2m) for the Authority, which equates to 1.8% of your prior year gross expenditure. We design our procedures to detect errors in specific accounts and disclosures at a lower level of precision which we have determined to be £5,000 for senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Governance 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 and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) '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) 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 £90k (PY £95k).

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 and Governance Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

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Background to our VFM approach

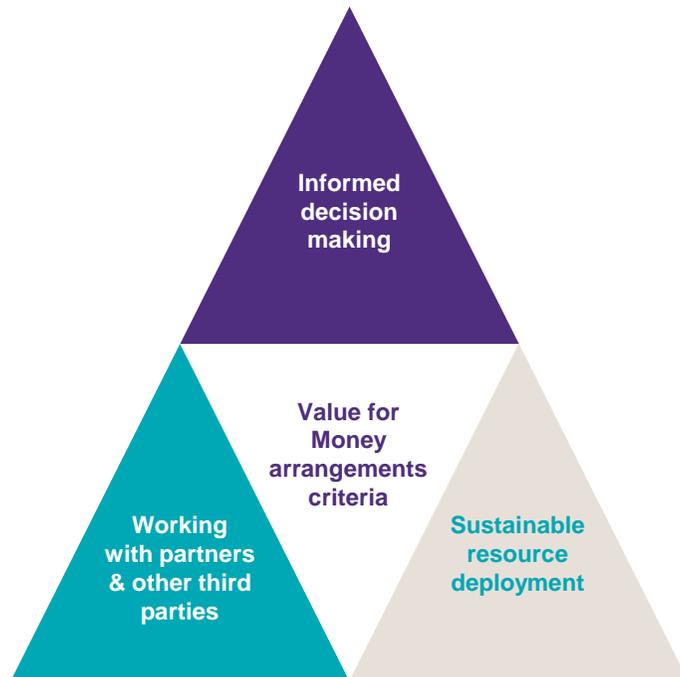
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

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Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

We will follow up on the progress made by your predecessor auditors regarding the Council's procurement processes.



Delivering a sustainable medium term financial plan

The medium term financial plan shows that significant savings are required to achieve financial balance with the Council planning a use of its reserves in 2018/19 in order to achieve its budget.

We will review the level of reserves and the plans in place to ensure an appropriate level of reserves is maintained and assess the arrangements in place to deliver savings in 2018/19 and from 2019/20 onwards, including those that have not yet been identified, in order to ensure they are realistic and deliverable.



Governance of Exeter City Group Limited

The Council established a significant subsidiary company in the year which is likely to have material transactions outside the Council's direct control.

We will assess the governance arrangements in place for the new company.



The re-development of the bus station and surrounding area

This is a significant project over two years and the capital programme will need to be managed effectively if it is to deliver the expected benefits on time and within budget.

We will assess the arrangements and information provided to enable the Council to make an informed decision and the capital monitoring arrangements to ensure the project is delivered on time and to budget. Procurement issues identified by the Council's previous auditors may also impact on this project.

Audit logistics, team & fees

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Geraldine Daly, Engagement Lead

Geraldine leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



David Bray, Audit Manager

David plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.

Audit fees

The indicative fee set by Public Sector Audit Appointments Ltd (PSAA) for the financial statements audit completed under the Code was £44,573 (PY: £57,887). There is no non-Code work (as defined by PSAA) planned.

This indicative fee was based on the assumption that there were no significant changes to the work required. As noted earlier, the Council expects to prepare group accounts for the first time. This is a significant risk requiring additional audit work which will result in an increase to the indicative fee. We will agree this with the Council's Chief Finance Officer and the Audit and Governance Committee. This fee revision will also need to be approved by PSAA. The level of the audit fee is also subject to the Authority meeting our requirements set out on the following page.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on the previous page). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

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Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. No other services were identified, although we expect to carry out the following work later in the year. The fees shown are estimated.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing benefits return	£17,298	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the expected fee for this work is estimated at £17,298 in comparison to PSAA's indicative fee for the audit of £44,573 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing capital receipts return	£3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the expected fee for this work is £3,000 in comparison to PSAA's indicative fee for the audit of £44,573 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Non-audit related

None.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Independence & non-audit services

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Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor.

We have not carried out any work at Exeter City Council since we were your External Auditors in 2014/15.

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Your ref

Our ref **DG/RA**

Contact **Darren Gilbert**
Tel 029 2046 8000

10 January 2019

Dear Sirs

Report of factual findings in connection with Exeter City Council Pooling of Housing Capital Receipts 2017-2018 pooling return for the year ended 31 March 2018

In accordance with the terms of our engagement letter dated 02 January 19 (“the Engagement Letter”) we have performed the procedures agreed with Exeter City Council (“the Local Authority”) and the Ministry of Housing, Communities and Local Government (“the MHCLG”) on the Local Authority’s enclosed 2017-2018 pooling return for the year ended 31 March 2018 (“the Return”).

Our report is prepared solely for the use of the Local Authority and the MHCLG to facilitate the Pooling of Housing Capital Receipts scheme. It has been released to the Local Authority and the MHCLG on the basis that our report shall not be copied, referred to or disclosed, in whole (save as otherwise permitted by agreed written terms) or in part, without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the Local Authority and the MHCLG, we acknowledge that the Local Authority and the MHCLG (or one of them) may be required to disclose this report to parties demonstrating a statutory right to see it, to enable such parties to exercise statutory rights of access to this report.

Our report and our work is designed to meet the agreed requirements of the Local Authority and the MHCLG determined by the Local Authority’s and the MHCLG’s needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Local Authority and the MHCLG for any purpose or in any context. Any party other than the Local Authority and the MHCLG who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in respect of our report to any other party.

Our engagement was undertaken in accordance with International Standard on Related Services 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* as published by the IAASB.

The procedures were performed solely for the purpose of assisting the Local Authority to fulfil its responsibilities, under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended), for reporting receipts arising from the disposals of housing assets during the year ended 31 March 2018.

The procedures performed and our corresponding findings are set out in Appendix 1 to this report.

No exceptions or errors were identified.

We have not subjected the information contained in the Return to checking or verification procedures except to the extent expressly stated. The MHCLG is responsible for determining whether the agreed-upon procedures are sufficient for the purposes of the Local Authority and the MHCLG. We cannot, and do not, make any representations regarding the sufficiency of these procedures for the purposes of the Local Authority or the MHCLG.

Because the above procedures do not constitute an audit or a review or other assurance engagement performed in accordance with International Standards on Auditing or International Standards on Review Engagements or International Standards on Assurance Engagements we do not express any assurance on the Return. Had we performed additional procedures, or had we performed an audit or a review or other assurance engagement in accordance with International Standards on Auditing or International Standards on Review Engagements or International Standards on Assurance Engagements, other matters might have come to our attention that would have been reported to you.

This report relates only to the matters specified above and does not extend to any annual financial statements of the Local Authority taken as a whole.

Yours sincerely



KPMG LLP
Chartered accountants

Attached:

- 1 Agreed Upon Procedures and Findings Matrix
- 2 2017-18 Pooling Return for the year ended 31 March 2018
- 3 Quarterly Debt Supportable Workbooks for the year ended 31 March 2018

1. Agreed Upon Procedures and Findings Matrix

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
1(a)	We have checked that all relevant parts of the return been completed (in pounds and pence) and that the Local Authority's certificate bears the signature of the Responsible Finance Officer.	Test Satisfied - No Exceptions noted
1(b)	We have checked that the version provided for reporting matches the information on the DELTA system.	Test Satisfied - No Exceptions noted
1(c)	We have sought confirmation that any significant matters of which we should be aware have been brought to our attention.	Test Satisfied - No Exceptions noted
2(a)	For a selection of 0 items of expenditure declared in cells 2, 32, 62 and 92 chosen at random from 0 acquisitions, we have compared the amount declared to purchase invoices or completion statements and checked that the date on the purchase invoice/completion statement lies within the period stated on the Return.	Test not applicable as there were no acquisitions made in the year.
2(b)	For the same selection of items identified in procedure 2(a), we have inspected the narrative on the corresponding purchase invoice or completion statements to check that the costs meet the definition of "relevant costs" as defined in paragraph 3(1)(a) of the Schedule to the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013 (SI 2013/476) ("the Schedule") and that they were in respect of buying back a "relevant interest" as defined in paragraph 3(1)(b) of the Schedule.	Test not applicable as there were no acquisitions made in the year.
2(c)	Using the same selection as in procedure 2(a), we have inspected the breakdown of the expenditure declared in	Test not applicable as there were no

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
	cells 2, 32, 62 and 92 with the breakdown of the expenditure declared in cells 126, 130, 135, 140, 145, 150, 155, 160, 165, 170, 175 and 180 to check that the buyback expenditure items selected for testing have not been double counted in those cells of the Return as 1-4-1 expenditure.	acquisitions made in the year.
3(a)	<p>For a selection of 6 property sales spread throughout the year as noted in the Local Authority's property register (or equivalent), we have:</p> <ul style="list-style-type: none"> ■ compared the amount of the sales receipts as declared in cells 5, 35, 65 or 95 (as appropriate depending on the quarter during which the sale took place) to the cash received per the bank statement; and ■ checked that the date of receipt lies within the quarter in which the receipt was declared. 	Test Satisfied - No Exceptions noted
3(b)	<p>We enquired of the Local Authority what proportion of the figures in cells 5, 35, 65 or 95 relate to repayment of right to buy discounts and mortgages on sales made since 30 April 2012. Where the total amount of these repayments over the year from 1 April 2017 to 31 March 2018</p> <ul style="list-style-type: none"> ■ is equal to or more than £1,000, we obtained from the Responsible Finance Officer a breakdown of the repayments of right to buy discounts and mortgages included in cells 5, 35, 65 and 95 of the Return and compared a selection of four repayments chosen at random to supporting documentation such as mortgage payment records and bank statements. For each item in the selection check that the date of the corresponding receipt on the bank statements falls within the quarter in which the item was declared in the Return ■ falls below £1,000, no further work was required or performed. 	Test Satisfied - No Exceptions noted
3(c)	We obtained from the Responsible Finance Officer a list of the shared ownership sales made during the year which sets out for each sale: (i) details of the property; (ii) the date of sale; (iii) the percentage ownership share sold; and (iv) the amount of the sale proceeds received by the Local	Test not applicable as there were no shared ownership sales made in the year.

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
	<p>Authority. We chose at random a selection of three properties from this list and performed the following tests:</p> <ul style="list-style-type: none"> ■ for each property in the selection where the percentage ownership share sold during the year 1 April 2017 to 31 March 2018 is less than or equal to 50%, we inspected the disposals recorded in the Local Authority's property register over the previous two years (1 April 2015 to 31 March 2017) to identify any previous shared ownership sales relating to that property and note the percentage ownership share sold in each sale; ■ for any properties in the selection where the total percentage ownership share sold over a two year period exceeds 50%, we checked that the sales proceeds received by the Local Authority in relation to the sale which caused the total percentage ownership share sold to exceed 50% have been declared in the Return in the quarter in which the sale proceeds of that percentage ownership sale were credited in the bank statements by agreeing the amount shown in a breakdown of the receipts declared in cells 5, 35, 65 and 95 to the amount per the bank statements and checking that the date of the receipt on the bank statements falls within the quarter in which the receipt was declared; ■ for each property in the selection where the percentage ownership share sold during the year 1 April 2017 to 31 March 2018 exceeds 50%, we checked that the sales proceeds received by the Local Authority in relation to that sale have been declared in the Return in the quarter in which the sale proceeds of that sale were credited in the bank statements by agreeing the amount shown in a breakdown of the receipts declared in cells 5, 35, 65 and 95 to the amount per the bank statements and checking that the date of the receipt on the bank statements falls within the quarter in which the receipt was declared. 	
4	<p>If the total declared in cells 6, 36, 66 and 96 is more than £500, then for a random selection of four items of receipts included in the supporting breakdown provided by the Responsible Finance Officer, we have agreed the amount</p>	<p>Test Satisfied - No Exceptions noted</p>

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
	of the receipt declared to the Local Authority's records of receipts from mortgages awarded.	
5	We have agreed the number of properties sold (on an annual basis) to the number of properties disclosed as being sold in the audited financial statements. We have obtained explanations for any reconciling items from the Local Authority.	Test Satisfied - No Exceptions noted
6(a)	We have agreed the calculated amount in cell D35 of the Valuation Sheet of the Local Authority's Debt Supportable Workbook to the Attributable Debt for that quarter on the Return (Cells 12, 42, 72 and 102).	Test Satisfied - No Exceptions noted
6(b)	For a selection of 9 dwellings sold in each quarter as recorded in cells 7, 37, 67 and 97 of the Return, we have compared the archetypes listed in cells C5 to C19 of the Debt Supportable Workbook to the archetype attributes of the dwellings as recorded in the Local Authority's property records;	Test Satisfied - No Exceptions noted
6(c)	For the same selection as in procedure 6(b), we have compared the bedroom weightings listed in cells C38 to C45 of the Debt Supportable Workbook to the bedroom weightings attributes of the dwellings as recorded in the Local Authority's property records.	Test Satisfied - No Exceptions noted
6(d)	For the same selection as in procedure 6(b), we have compared the capital valuations listed in cells C50 and below of the Debt Supportable Workbook to the capital valuations attributes of the dwellings as recorded in the Local Authority's property records.	Test not applicable as the LA has no PFI contracts
7(a)	For a selection of 0 items (from a total of 0) of expenditure incurred by the Local Authority, we have checked whether the expenditure falls within the definition of "development costs" as set out in paragraph vi of the section 11(6) retention agreement ("the Agreement") as clarified by Part 6 of the Agreement.	Test not applicable as the LA has no 1-4-1 expenditure

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
7(b)	<p>For any items of expenditure within the selection made in procedure 7(a) which relate to the completion of a dwelling, we have obtained from the Local Authority's Section 151 Officer/Responsible Finance Officer a list of the dwellings to which they relate.</p> <p>For each of the dwellings on this list, we have inspected the Local Authority's assessment of the type of accommodation the dwelling provides and checked that the assessment purports to conclude that the dwellings are permanent low cost rental accommodation as defined in section 69 of the Housing and Regeneration Act 2008, namely:</p> <ul style="list-style-type: none"> ■ it is made available for rent; ■ the rent is below the market rate; and ■ the accommodation is made available in accordance with rules designed to ensure that it is made available to people whose needs are not adequately served by the commercial housing market. 	Test not applicable as the LA has no 1-4-1 expenditure
7(c)	For the same selection of items of expenditure incurred by the Local Authority as in procedure 7(a), we have agreed the amount of the expenditure to the corresponding purchase invoice and checked that the date of the invoice lies within the quarter during which the expenditure is declared on the Return.	Test not applicable as the LA has no 1-4-1 expenditure
7(d)	We have obtained written management representation from the Responsible Finance Officer that the expenditure incurred by the Local Authority and tested in procedure 7(a) above was not funded from grants or other housing receipts.	Test not applicable as the LA has no 1-4-1 expenditure
7(e)	We have obtained written management representation from the Responsible Finance Officer that they have not included in the Return any expenditure incurred by a body in which the Local Authority held a controlling interest at the time of that expenditure (see paragraph iii of Part 5 of the Agreement).	Test not applicable as the LA has no 1-4-1 expenditure

	Agreed Upon Procedures	Findings and details of any exceptions and errors identified
7(f)	<p>Where a Local Authority has handed over 1-4-1 receipts to a housing association, and this is recorded as expenditure in cell 175 we have checked that:</p> <ul style="list-style-type: none"> ■ there is a contract or written agreement in place between the Local Authority and the housing association which governs how the 1-4-1 receipts are to be used; ■ this contract or written agreement specifies that 1-4-1 receipts must be used for social housing in the area of the Local Authority or a dwelling to which the Local Authority has nomination rights (see paragraph v of Part 5 of the Agreement); ■ the Local Authority has received written confirmation from the housing association that 1-4-1 receipts (as recorded in the cell specified above) have been used for the purposes intended by the contract or written agreement. 	Test not applicable as the LA has no 1-4-1 expenditure
8	For all management explanations related to the exceptions and errors noted, we have obtained representations from the Responsible Finance Officer.	No Exceptions noted, management representation later obtained.



Dave Hodgson
Chief Finance Officer
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18 February 2019

Dear Dave

Exeter City Council
Financial Statements for the year end 31 March 2019

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. We are also required to make inquiries of both management and those charged with governance as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements.

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the attached schedule. In completing this task, you may wish to take into account the views of other directors where you think appropriate. The schedule relates to operational issues as well as the financial statements.

In addition to our request to management, we will also need to contact the Chair of the Audit and Governance Committee, your Internal Auditors and the monitoring officer. For ease of responding, the question to the Chair of the Audit and Governance Committee is at the foot of the questions to management.

In preparing your responses, it would assist me greatly if you could include a summary of evidence that you have relied on to inform your responses, and the sources of assurance that you have that the relevant management controls have operated effectively through the financial year to date and will operate up to the date the accounts are approved.

It would be useful to coordinate both the Chair of the Audit and Governance Committee and management responses and for a response to be provided by 30 April 2019.

Please contact David Bray if you wish to discuss anything in relation to this request

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Geraldine Daly".

Geraldine Daly
Associate Director
Grant Thornton UK LLP

Questions to management – Exeter City Council

Auditor question	Response
Fraud	
Please provide your assessment of how your financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.	
What are your processes for identifying and responding to the risks of fraud? Have you identified any specific risks of fraud and/ or areas where the risks of fraud likely to exist?	
How do you communicate with those charged with governance regarding your processes for identifying and responding to the risks of fraud?	
How do you communicate with your employee regarding business practices and ethical behaviour?	
Do you have knowledge of any actual, suspected or alleged fraud affecting the entity?	
Related Parties	
Please list your related parties, highlighting any changes from the prior period	
Please provide a summary of the nature of the relationships between the entity and these related parties	
Has the entity entered into any transactions with these related parties during the 2018/19 period, if so, what was the type and purpose of the transaction(s)?	
Going Concern	
Is the going concern basis of accounting a fundamental principle in the preparation of your financial statements?	
Has a preliminary assessment of the entity's ability to continue as a going concern been performed?	

Have you identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern? If so, what are your plans to address them?	
What is your basis for the intended use of the going concern assumption? Do events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern?	
If applicable, please document your basis for concluding that the going concern basis of accounting is not a fundamental principle in the preparation of the financial statements	
Litigation and claims	
Are you aware of possible litigation and/ or =claims which may give rise to a risk of material misstatement?	
Accounting estimates	
How do you identify transactions, events, and conditions that may give rise to the need for accounting estimates to be recognised or disclosed in your financial statements?	
Are there any changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates?	
Laws and Regulations	
Are you aware of any non-compliance with any laws and regulations?	

Question to Those Charged with Governance – Exeter City Council

Auditor question	Response
Do you have knowledge of any actual, suspected, or alleged fraud affecting the entity?	

REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 13th March 2019

Report of: AUDIT MANAGERS

Title: 2019/20 INTERNAL AUDIT PLAN

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?

The Audit and Governance Committee has responsibility for approving the annual Internal Audit plan and ensuring that appropriate risk assessments have been carried out when formulating the plan. This report details the proposed areas of work for the 2019/20 year.

2. Recommendations:

2.1 That the 2019/20 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.

4.1 No additional resources implications

5. Section 151 Officer Comments:

5.1 The audit plan is based on a logical methodology. The proposed plan raises no concerns for the section 151 Officer.

6. What are the legal aspects?

None Identified

7. Monitoring Officer's comments:

The internal Audit Plan provides essential insight to providing effective management of council business which is a fundamental component to delivering the Corporate priority to deliver a "well run Council" for the period 2018-2021. As such the Monitoring Officer is very supportive of the audit plan.

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 apply a risk management approach to their work to provide assurance around the effectiveness of 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 normally audited on an annual basis, medium risk areas every other year and low risk areas once during the four-year rolling plan cycle. However, the plan is under continual review throughout the year to ensure that any emerging risks are considered for review and should a revision to the plan be required, a recommendation would be presented to this committee. The risk assessment is reviewed at least annually to ensure that changes that could affect the risk rating are considered which could consequently alter the frequency of audits.
- 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 obtained feedback from Strategic Management Board about their priorities, their responsibilities under the corporate risk register and to identify any specific concerns they may have. They have also obtained feedback from the Chair and Deputy Chair of the Audit and Governance Committee. The outcomes of the feedback have been fed into the formation of the 2019/20 Internal Audit plan.

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)
Room 2.3
01392 265275

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Internal Audit Service

Annual Audit Plan 2019-20

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Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'

(Public Sector Internal Audit Standards 2016 (PSIAS))

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

Internal Audit's main objectives are to:

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

The internal audit plan provides the mechanism through which we can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant stakeholders, to ensure it continues to reflect the needs of the Council. We will continue to report progress against the plan to Audit and Governance Committee quarterly.

We make every effort to work with other assurance providers to minimise duplication.

Your Internal Audit Team

The Internal Audit Function is provided 'in house' and consists of the Audit Manager and 2 auditors each working 4 days per week, Monday to Thursday.



Helen Kelvey, Audit Manager



Helen Putt, Audit Manager



Davina Blanchard, Auditor



Sandra Please, Auditor

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Conformance with internal auditing Standards

We operate in accordance with the Public Sector Internal Audit standards 2016 (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. The last external assessment was undertaken in October 2014 and, in considering all sources of evidence, the external assessor concluded that:

'The content of the 2014 self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards presents a true and fair view'.

Council Vision



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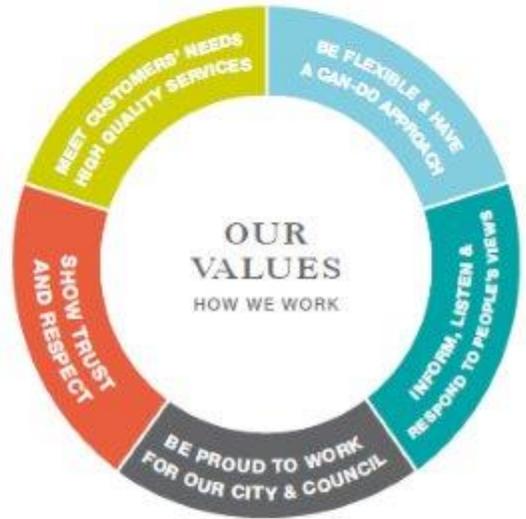
TACKLING CONGESTION & ACCESSIBILITY

We will work with our partners to make Exeter a city where active travel is promoted and where transport is not a barrier to accessing education, jobs, services or social activities and where sustainable means of travel are safer, cheaper, quicker and more convenient than private car ownership.



BUILDING GREAT NEIGHBOURHOODS

We will strive to ensure that every resident has a home that is secure, affordable and healthy in a neighbourhood where local services support wellbeing and promote community cohesion.



PROVIDING VALUE-FOR-MONEY SERVICES

We will continue to improve the way we deliver services to meet residents' day-to-day needs recognising that financial constraints are placing a premium on efficient and customer-focused services.

LEADING A WELL-RUN COUNCIL

To run the council well and deliver our strategy we will ensure effective governance, accountable decision making and good management of our business, assets and people. We will continue to seek opportunities to add value by working in partnership with others.

PROMOTING ACTIVE & HEALTHY LIFESTYLES

We will strive to make Exeter the most active city in England with a high-quality and accessible built environment and green spaces that encourage active and healthy lifestyles in communities that support wellbeing and reduce social isolation.

Council Risk

The Council has a clear framework and approach to risk management. The strategic risks contained in the Corporate Risk Register and assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation’s assurance needs and contributes to the achievement of their objectives. We will monitor the corporate risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

To ensure the effectiveness of an organisation’s risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation. The Institute of Internal Auditors endorses the 'Three Lines of Defence' model as a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

First line of defence

Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

Second line of defence

The second line of defence consists of activities covered by several components of internal governance (compliance, risk management, quality, IT and other control departments). This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.

Third line of defence

Internal audit forms the organisation's third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide assurance to the Council's Audit and Governance Committee and senior management. This assurance will cover how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of an institution's risk management framework (from risk identification, risk assessment and response, to communication of risk related information).

The role of the three lines of defence

Internal audit is uniquely positioned within the organisation to provide global assurance to the audit committee and senior management on the effectiveness of internal governance and risk processes. It is also well-placed to fulfil an advisory role on the coordination of assurance, effective ways of improving existing processes, and assisting management in implementing recommended improvements. In such a framework, internal audit is a cornerstone of an organisation's corporate governance.

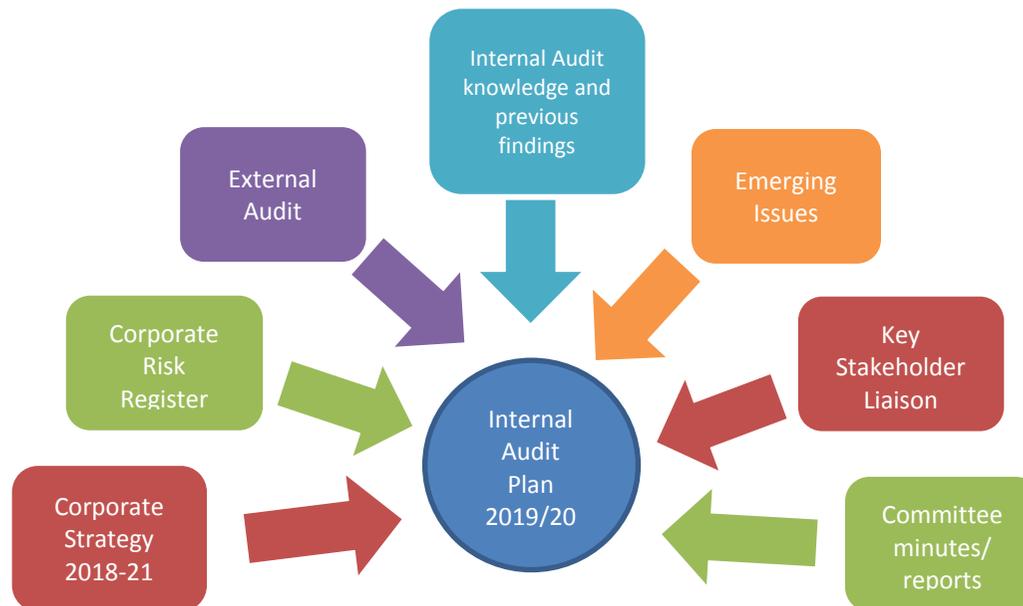
The use of the three lines of defence to understand the system of internal control and risk management should not be regarded as an automatic guarantee of success. All three lines need to work effectively with each other and with the audit committee in order to create the right conditions.

Developing the internal audit plan 2019/20

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.

We have used various sources of information and discussed priorities for internal audit with the following groups:



Internal Audit Plan 2019/20

The Internal audit service has 470 days within the plan. Of those days, 138 are fixed days for general administration, follow-ups and other activities conducted by Internal Audit, such as National Fraud Initiative co-ordination, administration of RIPA, review of hospitality and disclosures, Disabled Facilities Grant audit (terms of grant conditions) and Public Sector Internal Audit Standards Peer review. A small amount of time is set aside as a contingency to allow for unplanned work such as frauds. The remaining 332 days will be used for the planned work as detailed below.

The audit risk ratings are calculated using a score against nine different criteria; Audit assurance/perception, reputation/sensitivity, complexity of system, finance, operational impact, inherent fraud risk, staff morale/turnover/change, volume of transactions and other assurance sources. This helps us to determine the frequency of audit and level of coverage required.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Chief Executive			
Corporate and Support Services			
Corporate Governance	This refers to the rules, practices and processes used to direct and control the organisation. Risk – legislative risk. Damage to reputation of Council.	High risk	General assurance and to undertake an Assurance Mapping model review.
Risk Management	Systems and processes to manage the Council's risks that could prevent it from meeting its objectives Risk – financial risks. Failure to meet objectives and purpose	High risk	General assurance work and continue to assist in establishing operational risk registers throughout the organisation to help embed risk management across the Council.
Business Continuity Management	Management of the Council's business continuity arrangements in the event of business disruption.	High risk	Review of the new business continuity arrangements and general assurance work.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – Council fails to operate effectively due to business disruption. Damage to reputation.		
Information Governance	<p>The way in which the Council manages its information, including GDPR.</p> <p>Risk – legislative risk, information is not held securely or is misused.</p>	High risk	<p>Follow-up of issues identified in the previous year’s audit and a review against the Information Commissioners Office self-assessment to provide a level of assurance.</p> <p>Review of the management of emails held on the email systems.</p>
Counter Fraud	<p>The arrangements in place to fight fraud against the Council.</p> <p>Risk – financial risk increased risk of fraud against the Council.</p>	Medium risk	A review and update of the Fighting Fraud Locally checklist and to continue to work to find solutions to improve the Council’s resilience against fraud.
Partnerships	<p>The Council’s arrangements to work with other bodies to provide services or working solutions in a joint way.</p> <p>Risk – failure to meet objectives. Financial risk.</p>	Medium risk	General assurance work.
Chief Finance Officer			
Main Accounting	<p>The accounting function of the Council</p> <p>Risk - Financial risk, non-compliance with regulations</p>	High risk	Cyclical coverage of the core financial systems to meet regulatory requirements. We will work with external audit to co-ordinate work as far as possible and avoid duplication.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Income Management	The management of income to the Council Risk – financial risk	High risk	As above. Internal Audit work may also be required should the Paris Income management system be replaced during 2019/20.
Procurement	Procurement of goods and services for the Council. Risk – value for money risk, financial risk	High risk	Review and monitoring of issues arisen from the 18/19 assessment against the National Procurement Strategy. Internal Audit will also provide general advice and guidance as required to assist the new procurement team.
Creditors	Payment of the Councils suppliers of goods and services Risk – financial risk, risk of fraudulent transactions	High risk	Assisting in a review to streamline the process. Reviews of the use and management of the Corporate Credit cards.
VAT	Management of the Value Added Tax process Risk – non-compliance with regulations, risk of financial penalties	Medium risk	Review to provide assurance on the compliance with VAT regulations.
Insurance	Management of the Council’s Insurance Risk – fraudulent insurance claims, inappropriate or insufficient insurance cover, financial risk	Low risk	General assurance work

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
City Solicitor			
People Management (including Payroll)	<p>The management of the Council’s human resource, including Payroll.</p> <p>Risk – financial risk, risk of fraud</p>	High risk	General assurance work and a review of the new self-service system.
Director – Jo Yelland			
Safeguarding	<p>The Council has a legal duty to have proper procedures in place to protect vulnerable adults and children.</p> <p>Risk – legislative risk, Council fails to protect vulnerable.</p>	Medium risk	General assurance work.
Environmental Health	<p>Provision of service for dealing with environmental health issues such as bonfires, noise, sewage pollution etc. Inspections of food premises Provision training e.g. food safety</p> <p>Risk – failure to meet objectives as a statutory function</p>	Low risk	General assurance work including review of income generation from training courses etc.
Health and Safety	<p>Health and Safety is a legislative requirement.</p> <p>Risk – legislative risk, risk of significant financial penalties</p>	High risk	General assurance on compliance taking into account current priorities and concerns raised by the Health and Safety Committee.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Director – David Bartram			
Car Parks	Provision of car parks within Exeter. Risk – financial risk, loss of income	Medium risk	General assurance. Review of income management of car parking income.
Director – Bindu Arjoon			
Housing Benefits	Processing and payment of Housing Benefit. Risk – financial risk, subsidy penalties	High risk	General assurance. This is an area covered in depth by our External auditors, therefore the level of coverage by Internal Audit will be reduced.
NDR	Collection of rates from business properties. Risk – financial risk, loss of income	High risk	General assurance with emphasis on procedures that maximise income.
Housing Revenue Account	Management of resources to manage, maintain and improve social housing. Risk – financial and legislative risk	High risk	General assurance focusing on sourcing of private housing accommodation for those in temporary accommodation and the new processes for disabled adaptations.
City Development	This covers the administration of planning, building control, new homes bonus, community infrastructure levy and section 106. Risk – financial, legislative and reputational	High risk	General assurance and follow-up of previous audit matters arising.
Civic Functions	This covers elections, twinning, mayoralty, civic ceremonials and Member’s expenses.	Low risk	General assurance on income generating areas and expenditure on Civic functions.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – financial and legislative/electoral commission risk, failure to maximise income.		

REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 13th March 2019

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PROGRESS REPORT 3rd QUARTER 1st OCTOBER TO 31st DECEMBER 2018

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 To report on internal audit work carried out during the period 1st October to 31st December 2018, 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 2018/19 be noted.

3. Reasons for the recommendations:

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.

4.1 None

5. Section 151 Officer Comments:

5.1 The results for the areas completed are generally positive. The Council has just started a project to look at replacing the whole of the financial management / income management systems, which may well address the issues arising from the income management report.

6. What are the legal aspects?

None identified

7. Monitoring Officer's comments:

This report raises no issue for the Monitoring Officer.

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 where remedial action has not been agreed or

implemented within a reasonable timescale. The 2018/19 Audit Plan was approved at this Committee on 14th March 2018.

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 Progress against the plan and 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. Progress against the annual audit plan is on target.

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

A further summary of the outcomes of audits completed can be found at Appendix B.

I am pleased to report that agreed actions from previous audit reports are being progressed satisfactorily and that there are no instances where remedial action was not agreed by management during this quarter.

8.2. Governance Issues

The Council's annual governance statement (AGS) reported that as a result of the audit work that has been undertaken throughout the year no significant issues have been identified. However, the Council continues to make enhancements and improvements to its governance arrangements and an action plan has been compiled which will be subject to regular monitoring by the Audit and Governance Committee.

An action plan of the issues identified has been included in Appendix C.

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

Good governance contributes to the Council's purpose of a "Leading 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

Contact for enquires:
Democratic Services (Committees)
Room 2.3
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**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

PROGRESS OF 2018/19 AUDIT PLAN AS AT 31/12/18

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

CX & GD

‘Make Exeter a stronger city’

‘Make Exeter an Analytical City’

‘Make Exeter energy independent’

‘Make Exeter congestion free’

Support Services

‘A well run Council’

Main Accounting	12	0.7	In progress					
Income Management	13	18.4	Final	↔	Some improvement required	1	3	3
Procurement	15	5.7	In progress					
Creditors – Duplicate Payments	25	19.9	Final					
Treasury Management	5	9.6	Final					
VAT	7	9.2	Final					
BACS/CHAP	5	6.4	Final	No previous audit	Good	0	3	1
Corporate Governance	8	5.4	Ongoing					
Equalities and diversity	5	0.6						
Risk Management	15	5.6	On going					
Business Continuity Management	10	0.8	To be c/f to 19/20					
Information Governance	10	2.7						
Counter Fraud	9	6.4	On going					
Contract Management	24	1.8	In progress					
Safeguarding	5	0.7	In progress					
Performance Management	10	0.1	To be c/f to 19/20					
Due Diligence – District Heating schemes	5	4.1	Final					
Hospitality and gift disclosures	2	0.2						

Director – Jo Yelland

'Help me live well'
 'Help me be active'

ICT/Computers/STRATA	6	1.4	In progress					
People Management (incl Payroll)	15	28.1	Final	↑	Good	0	5	1
Licensing	6	6.4	Final					
Health and safety	10	3.3	Draft					
Disabled Facilities Grants	8	10.3	Final					

Director – David Bartram

'Keep Exeter looking good'
 'Fix and maintain our Assets'

CCTV	5	4.4	Final					
Homecall	5	8.4	Final					
City Centre (BID)	10	6.9	Final	↔	Good	0	2	1

Director – Jon-Paul Hedge

'Provide great things for me to see and do'
 'Keep me informed'

Museum services	6	0.1	In progress					
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Director – Bindu Arjoon

'Help me with my housing and financial problems'
 'Fix and maintain our Housing Assets'
 'Deliver good development'
 'Help me run a successful business'

Housing Benefits	15	0.1	In progress					
Council Tax	13	13.7	Final	↔	Some improvement required	1	1	0
Payments and collection	9	2	In progress					
Sundry Debtors	8	7.8	Draft					
NDR	10	9.3	In progress					
Housing – Housing development, asset management, HRA	5	0	In progress					
Housing Needs - Homelessness	25	35.4	Final	No previous audit	Good	0	4	0
Planning	10	11.5	Final					
New Homes Bonus	5	0.3	Final					
CIL/Section 106 Agreements	5	14.3	Final					

Other

RIPA Administration	2	3.2						
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Contingency (special/frauds) including unplanned work	30	19.8
Follow-ups	8	3.5
Audit Development – Data Analysis/CAAT development/stakeholder survey	19	7.1
Audit planning and control	46	31.7
NFI	2	3.3
External Audit	2	0.4
Total	470	331

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**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

Internal Audit Summary of Work Completed 01 October to 31 December 2018

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>Income Management</p> <p>Assurance rating: Some Improvement Required ★★★</p>	<p>Exeter City Council collects income from Council Tax, National Domestic Rates, Car Parking, and Housing and Commercial rents. The Council also generates income through providing other services, such as canal moorings and home call alarm cover.</p> <p>The scope of the audit included:</p> <p>Income – general Selecting a sample of service areas to ensure that their income management procedures comply with financial regulations</p> <p>Process mapping Documenting the various payment options available to customers and how the transactions then appear on their respective customer account and the linked financial codes. Checking that the controls set up to ensure that accounts are being accurately and timely updated are in place and working</p> <p>Chanel Shift Gaining an insight into the streamlining work being carried out by the Digital team where this involves a service area that collects revenue for the Council</p> <p>One high risk and three medium risk issues were identified The high risk issue identified related to the failure of the interface between the Housing Benefit system and the debtors system. Remedial action was agreed with management for all issues identified.</p>
<p>BACS/CHAP</p> <p>Assurance rating: Good ★★★★</p>	<p>The Council make payments to suppliers and organisations etc. by BACS (banks automated clearing services), by CHAPS (clearing house automated payment system) and by Faster Payments. In addition, the Council also collects payments from customers by BACS.</p> <p>The scope of the audit included:</p> <ul style="list-style-type: none"> • Bank Contract - Ensure that payments are being submitted in accordance with the limits set within the contract • System Access - Check that only relevant staff have access to the various systems

	<ul style="list-style-type: none"> • Documentation - By enquiry, check that information such as individuals bank account details are not retained for longer than the administration needs exist • Transactions - out - Review the CHAPS and Faster Payment documentation to ensure that suitable authorisation has been obtained prior to the payments being made • Collection of payments by Direct Debit - By enquiry, review the process adopted by sections collecting revenue/income by direct debit <p>Three medium risk and one low risk issues were identified and remedial action was agreed with management for all issues identified.</p>
<p>People Management</p> <p>Assurance rating: Good ★★★★</p>	<p>The Transactional Services team provide recruitment and payroll administration for the Council. They also provide Payroll Services for the Citizens Advice Bureau and the Exeter Business Centre.</p> <p>There are currently approximately 650 full/part time salaried employees.</p> <p>The scope of this audit included a review of the following:</p> <ul style="list-style-type: none"> • processing starters • processing leavers • monthly variations to pay (including overtime, honorariums, casual payments, pay rises and expenses) <p>Samples of transactions were selected over the period 1 April to 30 June 2018.</p> <p>Five medium risk and one low risk issues were identified. Remedial action was agreed with management for all issues identified.</p>
<p>City Centre (BID)</p> <p>Assurance rating: Good ★★★★</p>	<p>Business Improvement Districts (BIDs) have now been operating across the UK for over a decade with well over 200 BIDs established around the country. Once voted in, the payment of a BID levy is mandatory and this is bound in UK law.</p> <p>A BID is a business-led and business-funded body formed to improve a defined commercial area. Exeter's BID district is located within the city centre (broadly speaking within the Roman Wall).</p> <p>The scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • BID liability - checking for a sample of properties in the BID area that the correct BID liability has been set up on the BID account • Collection of BID levy- including checking the reconciliation of levy receipts • Refunds - checking that they are valid • Recovery of outstanding BID accounts - checking that appropriate recovery action was taken • Write-offs - checking that appropriate authorisation was obtained from the BID board • Monitoring of performance and reporting to the Board - checking that regular monthly statements of levies collected and reports of outstanding debts are supplied to the Board

	Two medium risk and one low risk issues were identified. Remedial action was agreed with management for all issues identified.
<p>Council Tax</p> <p>Assurance rating: Some Improvement Required ★ ★ ★</p>	<p>Council tax is the main source of locally-raised income for local authorities. Council tax was introduced in April 1993 and the amount of council tax payable on a property depends on;</p> <p>a) the council tax band to which it is allocated (Band D council tax is the standard measure of council tax with all of the other Bands set as a proportion of the Band D)</p> <p>b) the number of liable adults in the property (the levy is based on the property being inhabited by two liable adults with reductions allocated due to discounts, exemptions or local council tax support schemes)</p> <p>The scope of the audit included a review of the following areas;</p> <ul style="list-style-type: none"> • Council Tax information published on the Council's website - reviewing that this is up to date and accurate • Discounts - checking that there is evidence on the account when discounts are awarded • Disregards - sample testing those cases in receipt of a disregard to check that they still qualify for the disregard • Exemptions - checking that all exemption cases have recently been surveyed or are timetabled to be surveyed • Accounts with circumstance codes attached that suppress bills being raised/recovery action being taken - checking that regular action is being taken on these accounts <p>One high risk and one medium risk issues were identified. The high risk issue related to disregards*. In a sample of 10, 9 disregards had not recently (e.g. more than 18 months ago, some were more than 10 years old) been checked to ascertain if the disregard still existed.</p> <p><i>* Disregards - In some instances people living in a property can be 'disregarded' from being liable for Council Tax. Examples of people who fall within that category are; apprentices, carers, severely mentally impaired people, people in detention, hostel residents etc. The amount of disregard that can be awarded is 25% or 50%</i></p> <p>Remedial action was agreed with management for all issues identified.</p>
<p>Housing –homelessness</p> <p>Assurance rating: Good ★ ★ ★ ★</p>	<p>The Housing (Homeless Persons) Act 1977, Housing Act 1996 and the Homelessness Act 2002 placed statutory duties on local housing authorities to ensure that advice and assistance to households who are homeless or threatened with homelessness is available free of charge.</p> <p>Every housing authority district is required under the Homelessness Act 2002 to:</p> <ul style="list-style-type: none"> • have a homelessness strategy for tackling and preventing homelessness, and • strengthen the assistance available to people who are homeless or threatened with homelessness by extending the priority need categories to homeless 16 and 17 year olds; care leavers aged 18, 19 and 20; people who are vulnerable as a result of time spent in care, the armed forces, prison or custody and people who are vulnerable because they have fled their home because of violence.

The Homelessness Reduction Act (2017) came into effect from 1 April 2018 and significantly reformed England's homelessness legislation by placing duties on local authorities to intervene at earlier stages to prevent homelessness in their areas. It also requires housing authorities to provide homelessness services to all those affected, not just those who have 'priority need'.

These include:

- an enhanced prevention duty extending the period a household is threatened with homelessness from 28 days to 56 days, meaning that housing authorities are required to work with people to prevent homelessness at an earlier stage; and,
- a new duty for those who are already homeless so that housing authorities will support households for 56 days to relieve their homelessness by helping them to secure accommodation

The Housing Solutions team within ECC are responsible for helping people:

- remain in their existing home if they are threatened with homelessness
- access alternative accommodation before they become homeless
- who are already homeless, to access either a tenancy in the private rented sector, social housing or an alternative housing option

The scope of the audit included a review of the following:

- Evidence to support eligibility for assistance (appropriate ID and eligibility to reside in the UK)
- Assessments and personalised housing plans
- Identification of whether a prevention or relief duty was owed
- Notification letters
- Reasonable prevention or relief duty provided
- Ending prevention and relief duties
- Performance monitoring and statistics

The audit identified a number of medium risk issues and remedial action was agreed with management for all issues identified.

SIGNIFICANT GOVERNANCE ISSUES PROGRESS REPORT - FROM ANNUAL GOVERNANCE STATEMENT 2017-18

Issue No.	Issue identified	Responsible Officer	Summary of action proposed	Update Sept 2018	Update December 2018	Update March 2019	Notes
No significant governance issues were identified for 2017/18, however, measures to improve Governance arrangements have been proposed and implementation of these measures should be monitored.							
1	Separation of Duties - with considerable changes to the structure of the Council as it transforms the way in which services are delivered, separation of duties continues to be an area of concern. There is a risk that inadequate separation of duties could weaken the system of internal control, resulting in an increased risk of irregularities, errors and fraud. (c/fwd 2015-16 AGS)	Managers	This will continue to be monitored as part of the internal audit plan and any issues arising will be reported to the Audit and Governance Committee quarterly.	This is continuing to be monitored as stated.	This is continuing to be monitored as stated.	This is continuing to be monitored as stated.	
2	Reduction in resources – general reductions in staffing numbers increase the impact of staff absences and other service interruptions. Absences may also increase owing to greater pressure of work and loss of motivation. As reported above, Internal Audit are aware of instances where long term sickness is impacting on service delivery. (c/fwd 2015-16 AGS)	Audit Managers	This will continue to be monitored as part of the internal audit plan and any issues arising will be reported to the Audit and Governance Committee quarterly.	This is continuing to be monitored as stated.	This is continuing to be monitored as stated.	This is continuing to be monitored as stated.	
3	Contract Regulations – current contract regulations conflict with the legislative requirements of the Public Contract Regulations 2015, therefore the Council is at risk of breaching legislation. (c/fwd 2015-16 AGS)	Chief Finance Officer - D Hodgson	Draft contract regulations are being presented to the Strategic Management Board in June 2018 with the intention of incorporation into the Constitution at the July 2018 Council meeting.	The revised Contract regulations have now been approved and now form part of the Council's constitution. This action is now complete.	Completed		
4	Procurement – the Council currently does not have a procurement function in place that is fit for purpose. A recent audit of procurement identified a number of shortcuts in the procurement process e.g. extending contracts rather than retendering, a lack of effective contract management. The Interim Procurement Officer left the authority at the end of March and has not been replaced. However, the Council has engaged a consultant to review the current procurement process to help meet the requirements of the Public Contract Regulations 2015 but this review has yet to be finalised. (c/fwd 2015-16 AGS)	Chief Finance Officer - D Hodgson	The Council has an authorised structure and has engaged Hays to manage recruitment into the posts. The Council currently has an Interim Corporate Manager - Procurement and an interim dedicated to HRA contracts.	The three procurement posts have now been filled and the new employees will be starting during September and October.	Completed		
5	Implementation of a performance management framework.	CM Executive Support - B Luxton	Executive members and SMB met on the 29 January 2018 to consider a new city vision and priorities for the Council. These will be captured in a new corporate plan and comprehensive performance framework, which will be submitted to members in July 2018.	The Corporate Plan 2018-21 will be submitted to Executive on 9 th October 2018. When priorities have been agreed, performance measures to monitor progress will be built into the new corporate dashboard that is being developed with Strata.	An audit of performance measures across the council has confirmed that the majority of services are monitoring key indicators at a local level. Exeter, East Devon and Teignbridge have agreed the format and content of a corporate dashboard for each council. Monitoring of corporate plan priorities and associated measures will be reported to members in the new year.	A strategic dashboard is currently being built by Strata to enable reporting and monitoring across multiple indicators. Monitoring of corporate plan priorities and associated measures will be reported to members in the next round of committees.	

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6	Medium term financial plan is not clearly linked to the Council's corporate priorities and work program.	Chief Finance Officer - D Hodgson	A timetable is being drawn up to address the issues and savings required for 2019-20 onwards. It will be necessary to demonstrate links to the Council's corporate priorities.		The MTFP process has required significant savings to be identified over the next two years. Rather than using an "across the board" approach to savings targets, the Council has adopted the EXOne programme to deliver targeted savings and protect areas of priority	EXOne continues to be the programme to deliver the required reductions across the Council.	
7	Services are currently struggling to deliver the capital programme predominantly due to either a lack of resources in some service areas or a skills gap in respect of procurement processes and procedures in other areas.	Chief Finance Officer - D Hodgson	This is still a challenging area, the bidding process for the 2018-19 capital programme included a likely timescale, progress against this will be reported in Capital monitoring updates to Committee.		The level of spend remains similar to previous years and a number of factors have caused challenges in this area. This will continue to be monitored and reported to Members.	This continues to be monitored, although work has now begun on the significant projects within the capital programme.	
8	The Council needs to continue its work to implement processes and procedures to ensure proper governance and management of its information assets.	Information Governance Forum	The Information Governance Framework and all related policies are currently being reviewed and collated into one document, which will be completed by mid March 2018. All services submitted entries to a new Information Asset Register in January 2018. This is being reviewed as part of the GDPR action plan, which includes a range of measures to ensure compliance by 25 May 2018.	The Information Governance Framework and supporting policies have now been reviewed and updated by the Information Governance Forum. Corporate Manager - Executive Support will be taking to next SMB for approval. Information Asset register is now in place. Once framework agreed, staff will be asked to sign up to all new policies via Metacompliance software.	The Information Governance Framework is now published on the intranet. The ICT Acceptable Use and Security Policy has been updated to address GDPR issues. This will be submitted to SMB shortly before roll out to all staff.	The ICT Acceptable Use and Security Policy has now been approved by SMB as has the use of Metacompliance software for the communication and management of Council policies. Executive Support and Internal Audit will be piloting the use of this software, prior to roll out to the all staff.	

REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 13th MARCH 2019

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT CHARTER

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?

The Internal Audit Charter defines what Internal Audit is and explains its purpose, authority and responsibility. The Public Sector Internal Audit Standards (PSIAS) require that the Charter is reviewed and updated every two years or following a change to the service.

2. Recommendations:

2.1 The Audit and Governance Committee approve the updated Internal Audit Charter

3. Reasons for the recommendation:

3.1 To meet the requirements of the Public Sector Internal Audit Standards.

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

4.1 None.

5. Section 151 Officer Comments:

5.1 The Charter is an important part of the framework under which Internal Audit operates.

6. What are the legal aspects?

None identified

7. Monitoring Officer's comments:

This report raises no issue for the Monitoring Officer.

8. Report details:

8.1 The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. It establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the Audit and Governance Committee.

8.2 In addition to the above, for public sector bodies the charter must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity
- cover the arrangements for appropriate resourcing
- define the role of internal audit in any fraud-related work, and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities

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

Contact for enquires:

Democratic Services (Committees)

Room 2.3

01392 265275



Internal Audit Charter

Ref.	Contents
1	Introduction
2	Purpose, scope and authority
3	Mission Statement
4	Core Principles
5	Objectives
6	Provision and responsibilities
7	Code of Ethics
8	Audit coverage and plan
9	Service standards
10	Reporting
11	Quality assurance
12	Relationships
13	Fraud and irregularity
14	Non-conformance
15	Review

1. Introduction

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

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

- 'board' – the Audit and Governance Committee
- 'senior management' – the Strategic Management Board

2. Purpose, Scope and Authority

2.1 Purpose and role

The role of Internal Audit is to understand the key risks of the Council

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

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

The Public Sector Internal Audit Standards 2017 (PSIAS) defines Internal Audit as:
"... an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes"

2.2 Scope

There are no restrictions placed on the scope of Internal Audit work. As laid out in Financial Regulations Internal Auditors have unrestricted and unhindered access to all premises, assets and information across the Council as needed to perform their duties.

Financial Regulations 6(a) states:

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

2.3 Authority

The authority of the internal audit function is derived from legislation.

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) *A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

(2) *Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—*

(a) make available such documents and records; and

(b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

(3) *In this regulation “documents and records” includes information recorded in an electronic form.*

In addition, the requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which required that authorities shall ‘make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs’.

Exeter City Council has delegated these responsibilities to the Chief Finance Officer.

The Council’s own Financial Regulations (6) state that:

The Section 151 Officer shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control.

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

(b) All employees of the Council through their Director/Corporate Manager, shall immediately notify Internal Audit of any circumstances which suggest the possibility of irregularity in cash, stock or any other matter which may have financial consequences.

(c) On confirmation of any irregularity or reasonable suspicion thereof, Internal Audit shall advise the Chief Executive & Growth Director, Chief Finance Officer and the Monitoring Officer as appropriate.

(d) The audit arrangements of any shared service shall form part of the agreement for that shared service.

3. Mission Statement of Internal Audit

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

4. Core Principles

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk based assurance
- Is insightful, proactive and future focused
- Promotes organisational improvements

5. Objectives

5.1 Internal Audit's main objectives are to:

- help the Council meet its aims and objectives
- provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- provide assurance to management that the Council's operations are being conducted in accordance with external regulations, legislation, internal policies and procedures
- provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes
- provide advice and support to management to enable an effective control environment to be maintained
- promote a counter fraud culture within the Council to aid the prevention and detection of fraud
- investigate allegations of fraud, bribery and corruption

6. Provision and responsibilities

6.1 Provision of the Internal Audit Function

The Internal Audit Function is provided 'in house' and consists of the Audit Manager and 2 auditors each working 4 days per week, Monday to Thursday.

6.2 Organisational Status

Internal Audit is part of the Finance service. However, in order to maintain its independence Internal Audit has a right of access to the Chief Executive and Growth Director and/or the Leader of the Council and/or the Chair of the Audit and Governance Committee should circumstances warrant such. In addition, there is a right of access to Councillors as a matter of last resort.

6.3 The Audit Manager is responsible:

- in managerial terms (administratively) to the Chief Finance Officer
- for the performance of the Internal Audit Service (functionally) to the Audit and Governance Committee

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

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

- reporting annually performance against the quality assurance and improvement programme
- reporting annually on the Council's counter fraud work

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

6.7 Non-audit activities

In exceptional circumstances, Internal Audit may be required to undertake non-audit duties. Where this situation occurs, the Audit Manager will ensure that separation of duties takes place i.e. the auditor undertaking the non-audit task will not be responsible for auditing that area for at least 12 months.

6.8 Consulting Activities

At the specific request of management, Internal Audit may provide consultancy services, provided:

- the internal auditor's independence is not compromised
- the internal audit service has the necessary skills to carry out the assignment, or can reasonably obtain such skills
- the scope of the consultancy assignment is clearly defined
- the audit service has the resources to complete the assignment without compromise to its planned work.

Audit reports relating to consulting activities will not contain an overall opinion or assurance rating and will not be followed up by Internal Audit, however, some audits may be a combination of assurance and consultancy work, in which case, any consultancy work will be included in the normal audit report.

Consulting activities will be conducted in accordance with PSAIS.

7. Code of Ethics

7.1 The Internal Audit Service operates in accordance with the Public Sector Internal Audit standards 2017 (PSIAS) by:

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

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

8. Audit Coverage and Plan

8.1 Audit Strategy

Audit coverage is based on risk. It is informed by the board, senior management, the corporate risk register and horizon scanning for emerging risks. The level of coverage is determined by the business need of the Council and the level of risk identified.

The Audit Manager prepares a risk-based audit strategy and translates this into a four year rolling plan that shows cyclical coverage of audits. All systems rated as 'high' risk are audited annually, 'medium' risk systems are audited every two years and 'low' risk systems audited every four years. Where there is a difference between the strategy/plan and resources available, this is reported to the Audit and Governance Committee.

8.2 Annual audit plan & resourcing

To implement the audit strategy, an annual audit plan is established using a risk-based assessment methodology. The plan determines in broad terms the resources and skills needed, and is used for allocating Auditors' work. Should the plan indicate a need for additional resources, this will be discussed with the Chief Finance Officer. The Strategic management Board and the Chair/Deputy Chair of Audit and Governance Committee along with Directors/Corporate Managers are consulted on the plan during the planning process. The plan is then presented to senior management for comment prior to being approved by the Audit and Governance Committee in March every year. The plan is flexible and includes a contingency to allow for changes in priorities, emerging risks, ad hoc projects, fraud and irregularity, etc.

8.3 The Council will make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

9. Service Standards

9.1 What you can expect from us:

- Internal Auditors will, at all times, exercise due professional care, act with integrity and take a professional, reliable, independent and innovative approach to their work.
- It is essential that Auditors are impartial so that when an audit opinion is requested it will be unbiased and based upon the facts available. Should a situation arise where impartiality could be questioned, then another Auditor will be assigned to undertake the task concerned.
- Where an auditor was previously employed within a service/area subject to audit then the Audit Manager will ensure that the auditor concerned is not assigned audits in that area until an appropriate amount of time has elapsed (for example, 12 months).
- Where a conflict or potential conflict of interest arises during an audit, which was not foreseen at the start of the audit, this will be reported immediately to the Audit Manager and the auditor will be replaced by another member of the team.

9.2 What we expect from you:

- Requests for information/documents are dealt with in a timely manner
- Managers and staff should co-operate with the Auditors, at all times and behave with courtesy and respect
- Following the issue of a draft report managers should agree to attend a meeting discuss remedial action within 10 working days of issue of the report.

10. Reporting

10.1 Audit reports:

- show the findings based on a risk assessment e.g. high, medium and low or may be advisory (a finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice)
- include an action plan showing the agreed actions and the target date for implementation

- give an opinion of the system as at the time of the audit
- define the circulation of the draft and the final reports

10.2 Audit report circulation/Reporting structure:

- Line managers receive a draft report for discussion followed by the final report
- Directors/Corporate Managers receive a copy of all final reports relating to their area of work
- Chief Finance Officer receives a copy of all reports for information
- CX and Growth Director is advised of any 'findings where remedial action is not agreed by both management and internal audit and of any remedial action agreed by management but not subsequently implemented
- CX and Growth Director, as line manager, receives a copy of all final reports that contain actions for which the Chief Finance Officer is responsible

10.3 Reporting standards

Upon completion of audits, draft audit reports are issued to the relevant line managers for them to confirm the accuracy of the audit findings. Managers are invited to meet with the Auditor within 10 working days to discuss the report and their response to each finding on the draft report. The remedial action agreed is then recorded in the final report, along with dates for action or implementation.

Audit follow-ups are conducted within 12 months of the final report being issued, except for significant issues which will be followed up sooner and monitored more closely, as appropriate,

Where an Audit is conducted annually, the follow-up will form part of the next audit. An opportunity to immediately rectify any outstanding issues will be given but where this is not done the outstanding issues will be reported to the Audit and Governance Committee. The relevant Director will be notified in advance that the matter is being reported to Audit and Governance Committee.

Low risk findings will only be followed up at the next audit, regardless of whether the system is audited annually or not.

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

In summary, Internal Audit works to the reporting quality standards of:

- draft audit reports to be issued within 10 working days of the completion of the results table
- final audit reports to be issued within 10 working days of the discussion of the draft audit report
- final reports to be followed-up within 12 months of the date of issue of the final audit report to ensure that the agreed remedial action due for implementation has been completed

11. Quality assurance

11.1 Internal Audit has established a Quality Assurance and Improvement Program (QAIP). This has been designed to provide reasonable assurance to the various stakeholders of the Internal Audit Service that; Internal Audit:

- performs its work in accordance with this Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- operates in an effective and efficient manner; and is perceived by stakeholders as adding value and improving Internal Audit's operations. To that end, Internal Audit's QAIP will cover all aspects of the Internal Audit activity including:
 - ✓ Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner
 - ✓ Ensuring compliance with the *Standards*, Definition of Internal Auditing and Code of Ethics
 - ✓ Helping the Internal Audit activity add value and improve organizational operations
 - ✓ Both periodic and ongoing internal assessments
 - ✓ An external assessment at least once every five years, the results of which are communicated to SMB and the Audit & Governance Committee

The Audit Manager is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consulting (where applicable).

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

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

12. Relationships

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

12.2 Internal - the main contacts are with: Council employees, line managers, Directors/ Corporate Managers and the Chief Executive and Growth Director. Prior to the start of each audit, the auditor will meet with the manager to complete a pre-audit questionnaire. As part of this process, the auditor will agree with the manager concerned the timing and scope of the audit and the circulation of the audit report.

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

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

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

13. Fraud and irregularities

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

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

13.2 Directors/Corporate Managers are responsible for managing risks in order to prevent fraud, irregularity, waste of resources, etc. Internal Audit will assist service managers and Directors to effectively manage these risks. However, no level of controls can guarantee that fraud will not occur, even when the controls are performed diligently with due professional care.

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

14. Non-conformance

14.1 Any instances of non-conformance with the definition of Internal Audit, Code of Conduct or the PSIAS will be reported immediately to the Section 151 Officer and reported to the Audit and Governance Committee. For significant breaches, and if deemed appropriate, consideration will be given to inclusion in the Annual Governance Statement.

15. Review

15.1 The Internal Audit Charter will be reviewed biennially by the Audit Manager and presented to senior management and the Audit and Governance Committee for approval.



Internal Audit Charter

Author:	Helen Kelvey / Helen Putt
Source Location:	S:/Audit/Audit Documents
Related Documents:	Audit Manual Quality Assurance and improvement programme Counter Fraud Strategy Whistleblowing Policy
Date Created:	March 2017
Document Status:	Live

Document Control

This document is subject to change control and any amendments will be recorded below.

Change History

Version	Date	Changes
2.0	March 2015	Reviewed and updated to reflect changes in service provision
3.0	March 2017	Reviewed and updated to reflect changes in senior management structure, inclusion of mission statement and core principles, changes to reporting and follow up processes
4.0	March 2019	General review, minor amendments and housekeeping

REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 13 March 2019

Report of: Chief Finance Officer

Title: CODE OF CORPORATE GOVERNANCE – 2019/20

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 Code of Corporate Governance to reflect the updated principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016).

2. Recommendations:

It is recommended that:

2.1 Audit and Governance Committee supports and Council approves the Code of Corporate Governance for 2019/20;

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. It is best practice to review and update the Code annually.

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 2015.

7. Monitoring Officer's comments:

Good governance is essential to the success of any organisation- an essential ingredient to achieve its objectives and drive improvement, as well as maintain legal

and ethical standing in the eyes of its stakeholders, regulators and the wider community.

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 The code has been updated to reflect the new principles set by CIPFA/SOLACE and the opportunity has been taken to present it more in line with the Annual Governance Statement that reports on the Council's performance. There are no significant changes to the code this year.

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

Chief Finance Officer

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

2019-20

Scope of Responsibility

Exeter City Council is responsible for ensuring that its 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. The Council 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.

In addition to meeting statutory obligations and organisational objectives, the Council's governance framework is required to meet the following seven principles of good governance:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining interventions necessary to optimise the achievement of the intended outcomes
5. Developing the Council's capacity. Including the capability of its leadership and individuals within it
6. Managing risk and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability

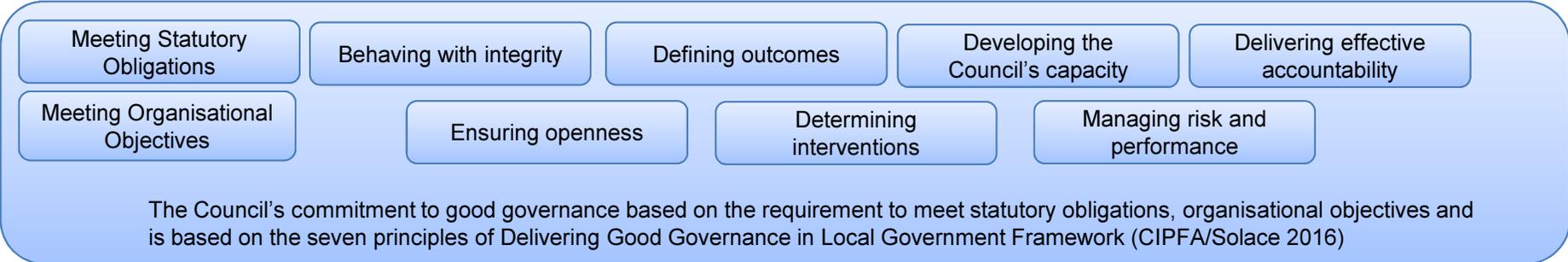
In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk. The Council has approved and adopted this Code of Corporate Governance, which is consistent with the principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016) and which identifies the systems, processes and documents that contribute to the Council's governance arrangements

The Purpose of the Governance Framework

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.

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.

Corporate Governance Framework



- Regulatory**
- Constitution
 - Terms of Reference
 - Members' Code of Conduct
 - Member/Officer Protocol
 - Scheme of Delegation
 - Financial Regulations
 - Standing Orders
 - Record of Decisions
 - Forward Plan
 - Register of discloseable Pecuniary Interests
 - Register of gifts & hospitality
 - Audit & Governance Committee
 - Scrutiny Framework
 - External Audit
 - Internal Audit
 - Head of Paid Service
 - Section 151 Officer
 - Monitoring Officer
 - Member Development Framework
 - Member's Toolkit

- Corporate**
- Corporate Work Programme
 - Corporate Plan
 - Risk Management Policy & procedures
 - Business Continuity Policy & Plans
 - Corporate Risk Register
 - Performance Management framework
 - Corporate Complaints Procedure
 - Exeter Community Strategy
 - Exeter Community Forum
 - Surveys/Focus Groups
 - Exeter Citizen
 - Record of public consultations
 - Equalities and Diversity Policy
 - Access to Information Policy
 - FOI Publication Scheme
 - Website transparency pages
 - Information Governance Framework
 - Information Security Policy
 - Partnership Guidance

- Finance**
- Medium Term Financial Strategy
 - Budget Monitoring Process
 - Treasury Management Strategy
 - Statement of Accounts
 - Annual Governance Statement
 - Prudential Code for Capital Finance
 - Statement on the role of CFO
 - Statement on the role of HIA
 - Counter Fraud Strategy
 - Anti-Money Laundering Policy
 - Whistleblowing Policy
 - Fraud reporting on website
 - Compliance with Public Sector Internal Audit Standards
 - Capital Programme
 - Council tax leaflet/information

- HR Policies**
- Pay Policy
 - Officers' Code of Conduct
 - Staff Induction
 - Staff Training & Development Programme
 - Staff Surveys
 - Growth & Development Reviews
 - Job Evaluation
 - Job Descriptions
 - Corporate Health & Safety Policy
 - Employee Assistance Programme
 - Disciplinary Procedure

Review of effectiveness

The 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.

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 Corporate 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 quarterly to Scrutiny Committee Place, Scrutiny Committee People and Scrutiny Committee Corporate;
- 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

Date of next review

The Code of Corporate Governance will be reviewed annually by the Section 151 Officer in consultation with Monitoring Officer and the Executive Support Unit and presented to the meeting of the Audit & Governance Committee in March 2020.

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

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