



The Audit Findings for Exeter City Council

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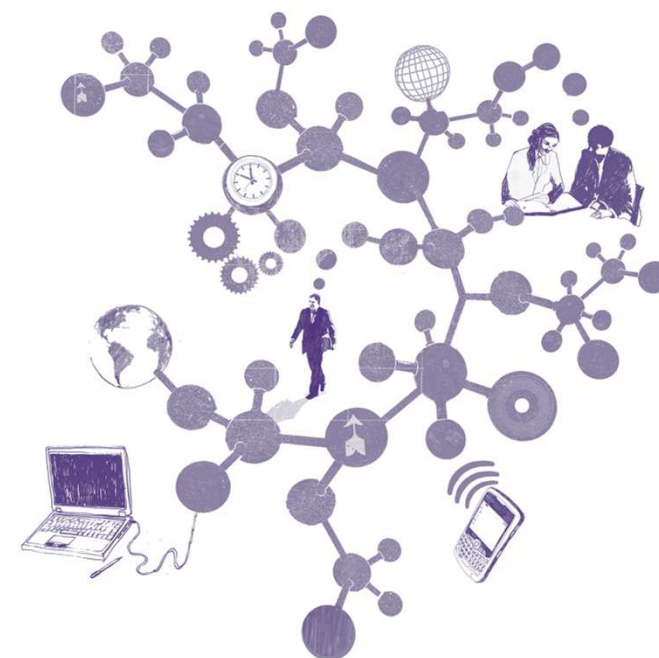
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2014

4 September 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Exeter City Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 9 June 2014.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

At the time of writing, 4 September 2014, our audit was still in progress. We are finalising our work in the following areas:

- Property, plant and equipment;
- Operating expenditure;
- Welfare benefits (i.e. Housing Benefits);

- Non domestic rates and, in particular, the Council's provision for appeals and agreeing the financial statements to Central Government Returns (NNDR1 and NNDR3);
- other revenues;
- equity and the movement in reserves statement; and
- financial instruments.

In addition to the completion of the remaining fieldwork outlined above, we need to undertake the following audit completion tasks:

- review of the final version of the financial statements and the completion of the disclosure checklist;
- obtaining and reviewing the final management letter of representation;
- review of final version of the Annual Governance Statement;
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts audit work.

We are awaiting the following information to enable us to complete our audit:

- assurances from the External Auditors of the Devon Pension Fund;
- a confirmation letter from one of the Council's bankers;
- a response from the auditors of the Exeter Canal and Quay Trust Limited regarding the figures used to prepare the Group Accounts; and
- responses from two of the three firms of solicitors used by the Council and who we contacted regarding potential disclosures in the financial statements.

We will update the Audit and Governance Committee regarding the completion of our work at the Committee meeting on 24 September 2014.

Executive summary

Key issues arising from our audit

Financial statements opinion

The Council prepared its financial statements in accordance with the national timetable (30 June 2014) and made a full set of working papers available to us at the start of the audit.

Only a small number of adjustments to the Council's draft financial statements have been made to date. Overall, the standard of the Council's financial statements shows an improvement compared to the previous year.

We have identified a number of presentational and disclosure changes, although none of these are significant. Further details are set out in section 2 of this report.

The Council did not complete a disclosure checklist as part of its closedown process and would benefit from doing so in future years so that it can be confident its financial statements meet CIPFA's requirements.

Local Authority financial statements are lengthy, complex documents and many Councils have undertaken a 'de-cluttering' exercise whereby they reviewed the content and layout of their accounts to improve their user-friendliness and to make their production more straightforward. Exeter City Council may find such a review helpful and we would be pleased to share of experience in this respect.

Value for Money conclusion

Based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable and will share our findings with you once this work has been finalised.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

In our audit plan we reported to you a weakness we identified regarding journal entries as there is no authorisation process for journals prior to posting. Our IT auditors identified scope to improve the password controls in the Council's payroll system.

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Council's Assistant Director, Finance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Assistant Director, Finance.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Governance Committee on 25 June 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you.

Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	Improper revenue recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	Our audit work has not identified any issues in respect of revenue recognition.
2.	Management override of controls Under ISA 240 there is a presumed risk of management over-ride of controls	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls.</p> <p>Although we identified a weakness regarding the lack of journal authorisation, our testing of journal entries has not found any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tested key controls undertaken cut-off testing and searched for unrecorded liabilities substantively tested operating expenses incurred by the Council 	<p>At the time of writing, our audit work in this area has not been completed.</p> <p>However, based on the work to date we have not found any significant issues in relation to the risk identified.</p> <p>We will provide an update to the Audit and Governance Committee on 24 September 2014.</p>
Employee remuneration	Employee remuneration expenses not correct	<p>We have:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tested key controls substantively tested payroll transactions undertaken by the Council performed analytical procedures, including a trend analysis 	<p>Our audit work has not found any significant issues in relation to the risk identified.</p>

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>We have:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tested key controls 	<p>At the time of writing, our audit work in this area has not been completed.</p> <p>However, based on the work to date we have not found any significant issues in relation to the risk identified.</p> <p>We will provide an update to the Audit and Governance Committee on 24 September 2014.</p>
Housing revenue account rental income	Housing revenue transactions not recorded	<p>We have:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tested key controls substantively tested the rental income for a number of properties undertaken cut-off testing completed analytical procedures 	<p>Our audit work has not found any significant issues in relation to the risk identified.</p>

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment (PPE)	PPE activity not valid	<p>We have:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tested key controls reviewed the Council's policies and assessed whether these have been complied with substantively tested a number of additions and disposals, making comparisons with the Council's capital programme physically verified the existence of a number of assets and confirmed the ownership 	<p>At the time of writing, our audit work in this area has not been completed.</p> <p>However, based on the work to date we have not found any significant issues in relation to the risk identified.</p> <p>We will provide an update to the Audit and Governance Committee on 24 September 2014.</p>
Property, plant & equipment (PPE)	Revaluation measurement not correct	<p>We have:</p> <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle undertaken walkthrough of the key controls to assess the whether those controls are designed effectively tested key controls reviewed the revaluations in the year, including the qualifications of the valuer and the methodology applied assessed how the Council has ensured that assets not formally revalued are fairly stated. 	<p>At the time of writing, our audit work in this area has not been completed.</p> <p>We refer to the accounting estimates and judgements relating to PPE valuations on pages 15 and 16 of this report.</p> <p>We will provide an update to the Audit and Governance Committee on 24 September 2014.</p>


Group audit scope and risk assessment

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



Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Exeter Canal and Quay Trust Ltd	Yes	Comprehensive	Classification of cash and investments at the year end	As noted in the Executive Summary, we are awaiting a response from the auditors of the Exeter Canal and Quay Trust Limited	At the time of writing, our audit work in this area has not been completed. We will provide an update to the Audit and Governance Committee on 24 September 2014.
Exeter Business Centre Ltd	No	Analytical	N/A	Analytical review only as the amounts are not material to the Group financial statements	Our audit work has not identified any issues in this respect.
Exeter Science Park	No	Analytical	N/A	Analytical review only as the amounts are not material to the Group financial statements	Our audit work has not identified any issues in this respect.


Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The Council's accounting policy is that customer and client receipts in the form of sales, fees, charges and rents are accrued for when it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.	The Council's revenue recognition policy is clearly set out and is consistent with that of the previous year. The policy has been reviewed and assessed as being in accordance with CIPFA's requirements and in line with that adopted by other Local Authorities.	 Green
Judgements and estimates	In the financial statements, the Council has disclosed that the key judgements and estimates are in relation to: <ul style="list-style-type: none"> pensions liabilities arrears valuation of property, plant and equipment (PPE) depreciation 	Our work is continuing in this area. We will provide an update to the Audit and Governance Committee.	


Assessment

-  Marginal accounting policy which could potentially attract attention from regulators (red)
-  Accounting policy appropriate and disclosures sufficient (green)


-  Accounting policy appropriate but scope for improved disclosure (amber)

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Other accounting policies	The Council's accounting policies are clearly set out in its financial statements.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 Green

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators (red)
-  Accounting policy appropriate but scope for improved disclosure (amber)
-  Accounting policy appropriate and disclosures sufficient (green)

Adjusted misstatements

One adjustment to the draft financial statements has been identified during the audit process to date. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustment arising from the audit which has been processed by management. As noted before, at the time of writing (4 September) our audit had yet to be completed, and we will update the Audit and Governance Committee on 24 September 2014.

Impact of adjusted misstatement

The adjusted misstatement is set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1 The Council changed its principal bankers during the year and any amounts paid into the 'old' account were automatically transferred into the 'new' account. Payments into the 'old' account at the year end (totalling £218k) were not processed until 1 April 2014, meaning that short-term debtors were overstated by £218k and cash and cash equivalents were understated by the same amount.	None	Misstatement was £218,000 but there is no net effect	None
Overall impact	£0	£0	£0

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. We will provide the Audit and Governance Committee with an update on 24 September 2014.

Area		Adjustment Made
1	Note 32 – Officer remuneration	Two staff who had left the Council's employment were originally omitted from the disclosure note relating to staff whose remuneration was in excess of £50,000 per annum.
2	Note 32 – Officer remuneration	The Council's former Chief Executive, who left the Council in July 2013, was originally omitted from the disclosure note relating to the remuneration of the Council's Statutory Officers and the Council's Strategic Management Team.
3	Note 40 – Defined Benefits Pensions Schemes	The draft financial statements did not reflect the full disclosure requirements relating to the Local Government Pension Scheme.
4	Post Balance Sheet Events	We asked the Council to include a disclosure regarding the IT joint working arrangements with East Devon District Council and Teignbridge District Council.

Unadjusted misstatements

At the time of writing, 4 September 2014, our audit has not identified any misstatements that management have not reflected in the Council's financial statements.



We will update the Audit and Governance Committee on 24 September 2014.

Internal controls



The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue	Recommendation
1.	 Red	As reported in our audit plan, a material weakness has again been noted as there is no authorisation process for journals prior to their posting. This was previously reported to the Council in 2012/13.	The Council should introduce a sample-based approach to journal review and authorisation covering all journals.
2.	 Amber	Our IT auditors noted that security logs are not reviewed on a regular basis. Such reviews could mitigate the risk of unauthorised access through weak password controls.	Management should consider initiating a security log monitoring activity.

Assessment

-  Significant deficiency – risk of significant misstatement (red)
-  Deficiency – risk of inconsequential misstatement (amber)

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	We have previously discussed the risk of fraud with the Council's Assistant Director, Finance and with the Chair of the Audit and Governance Committee and have received written representations from them in accordance with ISA 240. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	A letter of representation has been requested from the Council. In particular, representations will be requested from management in respect of the significant assumptions used in making accounting estimates for PPE valuations.
4.	Disclosures	Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	We are not aware of any related party transactions which have not been disclosed in your financial statements.
6.	Going concern	Our work has not identified any reason to challenge the Council's decision to prepare its financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Our work confirmed that the Council is facing a challenging financial future. The Council has low levels of reserves compared to other similar Local Authorities. The medium term financial plan originally showed plans to reduce the General Fund to the minimum acceptable level set by the Council (£2m) by 2015/16., although a recent reiteration shows that the Council plans to keep a 'buffer' of approximately £700k.. As noted overleaf, the medium term financial plan requires the Council to deliver significant savings in 2015/16 to 2017/18.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council is open to new ways of working (e.g. the shared IT service with two other Councils) where it considers cost reductions and service improvements can be achieved.

The Council's current Corporate Plan covers 2012 to 2014 and needs to be updated and aligned with the medium term financial plan in order to ensure that the Council's ambitions remain affordable.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<p>We have previously reported that Exeter City Council has low levels of General Fund reserves and useable reserves compared to other Local Authorities and this reduces the amount of flexibility available to the Council.</p> <p>The Council has reduced the minimum level of its General Fund to £2m and its medium term financial plan originally showed that this level would be reached in 2015/16. A recent reiteration showed the Council plans to retain a 'buffer' of approximately £700k. We welcome this development, as any slippage in the Council's savings plans or additional budgetary pressures could have meant that this minimum level was breached.</p>	Amber
Strategic financial planning	<p>The Council has set a balanced budget for 2014/15. The medium term financial plan shows that savings of approximately £3.6m need to be found for 2015/16 to 2017/18.</p> <p>2016/17 is the most challenging year, with savings of £2.8m needed.</p> <p>The Council's current Corporate Plan covers 2012 to 2014 and needs to be updated and aligned with the medium term financial plan.</p>	Amber
Financial governance	<p>The Council is aware of its financial environment at both Officer and Member level. The Council has developed a medium term financial plan although, as noted above, the delivery of this will be challenging.</p> <p>Internal Audit have reported that there is a need for risk management to become more embedded, especially regarding service risk registers.</p>	Green
Financial control	<p>We have not identified any concerns regarding the Council's budgetary control arrangements. Internal Audit have not identified any weaknesses within your key financial systems that could impact on our VFM Conclusion and this accords with our own work on your financial statements.</p>	Green

Theme	Summary findings	RAG rating
Prioritising resources	As noted on the previous page, the Council has a corporate plan which will need to be updated in the near future. The Council has also developed 'Exeter Vision' in conjunction with other partner organisations. There is a need to ensure that future plans remain affordable	Green
Improving efficiency & productivity	Our audit work has not identified any concerns over the Council's budgetary control and its understanding of its costs. The Council is open to new ways of working (e.g. the shared IT service with two other Councils) where it considers cost reductions and service improvements can be achieved.	Green

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

We confirm below our final fees charged for the audit and the provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	76,283	76,283
Grant certification	13,380	TBC
Total audit fees	89,663	TBC

Our certification work will not be completed until November 2014. We will advise the Council's Audit and Governance Committee of the final fee for this work at that time.

There is an additional fee of £940 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NNDR3 certifications for District Councils and is subject to agreement by the Audit Commission.

Fees for other services

Service	Fees £
Review of IT Shared Service Arrangements – Phases 1 and 2. This is a joint review for East Devon District Council, Exeter City Council and Teignbridge District Council. The total fee for these two phases of the work was £17,998, the cost of which was shared equally across the three Councils. The fee identified here represents Exeter City Council's share of the work delivered.	£5,999

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

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

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Page No.	Recommendation	Priority	Management response	Implementation date & responsibility
6	Complete a disclosure checklist as part of the financial statements closedown process.	Potential significant deficiency	Agree that completion of the checklist would be advantageous for the Council to satisfy itself that its accounts met all of the necessary requirements. However this is a lengthy document which will require additional resources during a time-pressured period of closing the accounts. We will endeavour to complete the checklist in parallel with closing the accounts, resources permitting, but will certainly use it as a guide for implementing changes to the financial statements to meet CIPFA requirements.	30 June 2015 Technical Accounting Manager
6	Undertaken a 'de-cluttering' exercise whereby the content and layout of the accounts are reviewed to improve their user-friendliness and make their production more straightforward.	Deficiency	Agree that it would be beneficial to undertake a review of the content and layout of the Council's Statement of Accounts to improve user-friendliness and make the production more straight forward. We hope to work with Grant Thornton to seek their advice and agree any changes.	28 February 2015 Technical Accounting Manager (Exeter City Council) and David Bray (Grant Thornton)

Action plan (continued)

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Page No.	Recommendation	Priority	Management response	Implementation date & responsibility
20	The Council should introduce a sample-based approach to journal review and authorisation covering all journals.	Significant deficiency	Following the restructure of Accountancy Services and the appointment of an Accountant with responsibility for system development support in July, we have given priority to investigating the functionality of the financial system for journal authorisation and workflow arrangements. It is hoped that a new journal authorisation process will be implemented in order to improve internal controls.	31 December 2015 Assistant Director, Finance
20	Management should consider initiating a security log monitoring activity.	Deficiency	The Transactional Services Manager in conjunction with IT Services will be asked to consider initiating a regular review of security logs in order to help identify any unauthorised access.	31 October 2014 Transactional Services Manager

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