Public Document Pack

Agenda for Audit and Governance Committee
Thursday, 18th March, 2021, 2.30 pm

East Devon District Council
Blackdown House
Border Road
Heathpark Industrial Estate
Honiton
EX14 1EJ

DX 48808 HONITON

Tel: 01404 515616

www.eastdevon.gov.uk

Members of Audit and Governance Committee

Councillors S Hawkins (Chair), F King (Vice-Chair), D Barrow, J Bailey, F Caygill, S Gazzard, P Hayward, N Hookway, G Pook and P Twiss

Venue: Online via the Zoom app.

Contact: Amanda Coombes 01395 517543; email acoombes@eastdevon.gov.uk

(or group number 01395 517546)
Tuesday, 9 March 2021

Important - this meeting will be conducted online and recorded by Zoom only.
Please do not attend Blackdown House.
Members are asked to follow the Protocol for Remote Meetings

This meeting is being recorded by EDDC for subsequent publication on the Council's website and will be streamed live to the Council's Youtube Channel at https://www.youtube.com/channel/UCmNHQruge3LVI4hcgRnbwBw

Public speakers are now required to register to speak – for more information please use the following link: https://eastdevon.gov.uk/council-and-democracy/have-your-say-at-meetings/all-other-virtual-public-meetings/#article-content

1 Public speaking

Information on public speaking is available online

2 Minutes of the previous meeting (Pages 3 - 7)

3 Apologies

4 Declarations on interest

Guidance is available online to Councillors and co-opted members on making declarations of interest

5 Matters of urgency

Information on matters of urgency is available online

6 Confidential/exempt item(s)

To agree any items to be dealt with after the public (including the Press) have been excluded. There are no items which officers recommend should be dealt with in this way.

Mark Williams, Chief Executive

Matters for Decision

7 **Audit Findings report - Grant Thornton** (Pages 8 - 38)

8 **Letter of representation** (Pages 39 - 42)

9 **Statement of Accounts 2019/20 including Annual Governance Statement** (Pages 43 - 44)

10 **Annual Audit Plan 2021/22 and Review of Internal Audit Charter - SWAP** (Pages 45 - 61)

11 **Internal Audit Plan Progress to include EDDC's Fleet Management review - SWAP** (Pages 62 - 76)

12 **Accounting Polices Approval** (Pages 77 - 78)

13 **Audit and Governance Forward Plan** (Pages 79 - 80)

Decision making and equalities

For a copy of this agenda in large print, please contact the Democratic Services Team on 01395 517546

EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of Audit and Governance Committee held at Online via the Zoom app. on 28 January 2021

Attendance list at end of document
The meeting started at 2.30 pm and ended at 4.42 pm

62 Public speaking

There were no members of the public registered to speak.

63 Minutes of the previous meeting

The minutes of the Audit and Governance Committee held on 26 November 2020 were confirmed as a true record with an amendment to minute 61 Audit and Governance Forward Plan. An additional item for a SWAP review of EDDC fleet management was included.

64 Apologies

65 Declarations on interest

Min 68. S106 and CIL Internal Audit Report.
Councillor Paul Hayward, Personal, Clerk to 3 parish councils who had been recipients of CIL funding.

Min 68. S106 and CIL Internal Audit Report.
Councillor Steve Gazzard, Personal, Member of Exmouth Town Council S106 & CIL Working Party.

Min 70. Strata Annual Internal Audit report.
Councillor Fabian King, Personal, Representative of EDDC on the Strata Joint Scrutiny Committee.

Min 70. Strata Annual Internal Audit report.
Councillor Nick Hookway, Personal, Representative of EDDC on the Strata Joint Scrutiny Committee.

Min 70. Strata Annual Internal Audit report.
Councillor Phil Twiss, Personal, Representative of EDDC on the Strata Joint Scrutiny Committee.

66 Matters of urgency

None

67 Confidential/exempt item(s)

None

68 S106 and CIL Internal Audit Report

Alastair Woodland, Assistant Director SWAP and the Service Lead Planning Strategy and Development Management informed the committee that South West Audit Partnership had undertaken an audit of the S106 and CIL system and gave an update to the actions taken from their recommendations. The purpose of the audit was to ensure that appropriate arrangements are in place to manage the receipt and expenditure of S106 and CIL contributions.

The report gave “limited assurance” noting that the S106 spend and collection work was not up to date due to the substantial work that had been involved in populating the Exacom system, with the redeployment of officers into the community hub to help to support the community through the Covid-19 pandemic. The report noted that no monies had been lost or returned to developers as a result of the lack of resource but there were a significant number of outstanding actions required on the system.

The report was reported to Cabinet at their meeting of the 6 January 2021 with Members noting the findings of the audit and the need to appoint additional staff resource as a priority. The Service Lead Planning Strategy and Development Management informed the committee that the position’s job description had been agreed and was about to be advertised externally for recruitment.

Discussion included the following:

- not to make town and parish councils wait before they are able to spend this money
- make the rules and conditions for S106 and CIL funding much clearer for the public and local councils. Their titles were complicated to what they stand for
- the monies collected were indexed linked
- the need to monitor the progress of the system at each Audit and Governance Committee meeting and ensure procedures were in place for the collection of these receipts.

RESOLVED:

1. That Members note the findings and recommendations of the internal audit report on the management of the receipt and expenditure of S106 and CIL contributions.
2. To monitor the progress of the management of receipts and expenditure of S106 and CIL contributions in future Audit and Governance Committees
3. To ensure that procedures were in place for the collection of debt.

REASON:

To make Members aware of the findings of the S106 and CIL Audit and the actions that were being taken to consider and respond to the findings.

69 Internal Audit Activity - Quarter 3 2020/21 - SWAP

Alastair Woodland Assistant Director SWAP provided an update on the 2020/21 Internal Audit Plan as at January 2021.

Internal Audit provided an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness. Primarily the work included:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- Grants

- Other Special or Unplanned Review

Audit assignments were undertaken in accordance with the Plan to assess current levels of governance, control and risk.

RESOLVED:
that the progress made in delivery of the 2020/21 internal audit plan and its significant findings be noted.

70 Strata Annual Internal Audit report

Craig Moodie, Senior Auditor for IT representing Devon Audit Partnership (DAP) presented the report which give the statement of assurance provided by the Head of Audit Partnership, the provider of Internal Audit Services to Strata Service Solutions for audits in relation to the 2019-20 internal audit plan. The provision of ICT services was the responsibility of Strata Services Solutions under the arrangements specified within the original Partnership Agreement between Exeter City Council, East Devon District Council and Teignbridge District Council.

Strata's new Business Plan had all but formally adopted by the Partners and this provided excellent and measurable detail as to how it would continually improve the services it offered the Partners and act as an effective enabler for transformational change. DAP consider the Business Plan to be of a high standard and this, along with the high standard operational reporting and metrics, provided the measures from which continual service improvement can be delivered.

RESOLVED:
that the report be noted.

71 Audit Progress report - Grant Thornton

The report provided the Committee with a report on progress in delivering the responsibilities as external auditors. This included a summary of emerging national issues and developments that may be relevant to EDDC as a local authority.

RESOLVED:
that the progress report be noted.

72 Risk Management review - half year review

The report presented Risk information for the 2020/21 financial year to allow the Committee to monitor the risk status of Strategic and Operational Risks. This follows the full review of risks by responsible officers during November / December 2020.

RESOLVED:
That the current status of risks following the full risk review undertaken in November/ December 2020 be noted.

73 RIPA update

At the meeting of 18 January 2018, Members agreed to receive an update on RIPA activity throughout the year (Regulation of Investigatory Powers Act). The RIPA Senior Responsible Officer advised that there had been no requests for RIPA authorisation

since the last committee. The Deputy Monitoring officer informed members that an explanatory report and updated policy would be brought to the next meeting in March.

74 Audit and Governance Forward Plan

Members noted the contents of the Committee Forward Plan for 2020/21.

Items to be considered at the March committee included:

- Statement of Accounts 2019/20 including Annual Governance Statement
- Letter of representation
- Annual Audit Plan 2021/22 and Review of Internal Audit Charter
- Internal Audit Plan Progress to include EDDC's Fleet Management review
- External Audit Plan
- Audit Committee update
- Annual audit letter
- S106 and CIL update
- Accounting Polices Approval
- DBS Checks for Councillors - update from LGA
- Review of the Anti-Fraud Theft and Corruption Policy
- Review of the Anti-Bribery Policy
- Review of the Whistleblowing Policy
- Review of the Local Code of Corporate Governance
- RIPA update and policy review

Attendance List

Councillors present:
S Hawkins (Chair)
F King (Vice-Chair)
J Bailey
F Caygill
S Gazzard
P Hayward
N Hookway
P Twiss

Councillors also present (for some or all the meeting)
P Arnott
P Faithfull
M Hartnell
A Moulding
M Rixson

Officers in attendance:
Amanda Coombes, Democratic Services Officer
Simon Davey, Strategic Lead Finance
Ed Freeman, Service Lead Planning Strategy and Development Management
Steve Johnson, Grant Thornton
Debbie Meakin, Democratic Services Officer
Jackson Murray, Grant Thornton
Anita Williams, Principal Solicitor (and Deputy Monitoring Officer)

Mark Williams, Chief Executive
Alastair Woodland, SWAP
Craig Moodie, Senior IT Auditor DAP

Councillor apologies:
D Barrow
G Pook

Chairman ..... Date: .....

Grant Thornton

The Audit Findings for East Devon District Council

Year ended 31 March 2020

9 March 2021

Contents

Your key Grant Thornton team members are:

Jackson Murray
Key Audit Partner
T: 0117 305 7859
E: Jackson.Murray@uk.gt.com

Steve Johnson
Audit Manager
T:07880 456 134
E: Steve.P.Johnson@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	5
3. Value for money	16
4. Independence and ethics	20

Appendices

A. Action plan
B. Follow up of prior year recommendations
C. Audit adjustments
D. Fees
E. Audit Opinion

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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of the East Devon District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed remotely during July 2020 to March 2021. Our findings are summarised on pages 6 to 15. Audit adjustments are detailed in Appendix C. We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work in the following areas remains in progress: • evaluation of the approach adopted to the valuation of Council Dwellings and adjustments posted, including response from our own external valuation expert; • review of management's cashflow forecasts to April 2022; • receipt of a response to a query on HRA expenditure; • receipt of the signed management representation letter (on the agenda); and • review of the final set of financial statements and Annual Governance Statement. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. Subject to satisfactory conclusion of the points above, our anticipated audit report opinion will be unqualified but with an Emphasis of Matter paragraph in relation to material uncertainties with regards to the valuation of land and buildings and investment properties – refer to page 8 for further detail. As explained on page 8, this is a national issue related to the Covid-19 pandemic and the Council followed national guidance from RICS in its valuations.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that East Devon District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 18 to 21.

Headlines (continued)

Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties as described to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code, however, the areas outlined on page 3 are still to be concluded. Following their completion, we expect to be able to issue our certificate alongside our audit opinion.
Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council has dealt with the administration of grants to businesses, staff re-deployment, closure of car parks, the provision of critical-only services during lockdown, and then the additional challenges of reopening services under new government guidelines. Councils are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum in May 2020. In that addendum we reported an additional financial statement risk in respect of Covid-19. Further detail is set out on page 6. Restrictions on non-essential travel have meant both Council and audit staff have had to work remotely throughout the audit, including the remote accessing of financial systems, video calling, and verifying the completeness and accuracy of information produced by the entity through screensharing. Remote audits have taken longer than we would normally expect an audit to take and we have seen this around the country. We started our audit on 13 July 2020 using the Council's trial balance. The Council's financial statements were provided on 10 August 2020, in advance of the revised national deadline. As expected, the finance team has been stretched throughout lockdown, producing the accounts and dealing with audit queries, alongside the "day job" and the requirements of additional government returns, and internal reporting. There are some areas where working papers could be improved, and we have discussed these with management throughout the audit. The finalisation of the audit has taken a particularly long time, due in part to challenges with capacity within the finance team.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you on 26 March 2020.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries on page 3 being satisfactorily resolved, we anticipate issuing an unqualified audit opinion, as detailed in Appendix E.

Our approach to 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.

Materiality levels remain the same as reported in our audit plan.

We detail in the table below our determination of materiality for East Devon District Council.

	£,000	Qualitative factors considered
Materiality for the financial statements	1,840	The Council operates in a stable, publicly funded environment.
Performance materiality	1,380	75% of materiality, no history of deficiencies or large number of misstatements.
Trivial matters	92	Level set for reporting errors or omissions to TCWG.
Materiality for Senior Officer Remuneration	20*	Public sensitivity in the pay of senior officers in the public sector.

*We reported a materiality level for Senior officer remuneration of 1.9% of the amount disclosed for Senior Officer remuneration in our audit plan. Upon receipt of the draft financial statements this was calculated to be £20,000.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid-19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expected current circumstances would have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to: • remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation; • volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates; • financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • disclosures within the financial statements could require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk.	We: • worked with management to understand the implications the response to the Covid-19 pandemic had on the Council's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach. As previously noted, we received draft financial statements in advance of the revised national timetable; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose. An example is in respect of the material valuation uncertainty disclosed by the Council's valuation experts in respect of land and buildings and investment properties; • evaluated the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances; and • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. **Findings** The Covid-19 pandemic resulted in land and building and investment property valuations being reported on a 'material uncertainty' basis. As explained on page 8, this is a national issue related to the Covid-19 pandemic and the Council followed national guidance from RICS in it's valuations. This is also the case and needs to be reported for investment property held by Devon Pension Fund on behalf of East Devon District Council. We reviewed management's other estimates and judgements in light of the Covid-19 pandemic and concluded that these were reasonable. The audit was completed remotely which resulted in certain challenges and work taking longer than we would have expected in normal conditions.
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	We rebutted the risk at the planning stage of our audit. No circumstances arose that indicated we would need to reconsider this judgement.

Significant audit risks continued

Risks identified in our Audit Plan	Auditor commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk.	We: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk and unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Findings** We have raised a control recommendation in Appendix A in respect of journals. Our testing of journal entries made in year did not identify any issues. Management made disclosure adjustments to some of the critical judgements disclosed in the financial statements to ensure that it was clear what the judgements were and why they were appropriate.
Valuation of pension fund net liability The pension fund net liability, as reflected in the Council's balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£63.4m) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk.	We: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested 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; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures suggested within the report. **Findings** There were some classification adjustments made to the pensions note to ensure that the figures agreed to those in the actuary's report. No other issues were identified from our testing.

Significant audit risks continued

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. Investment properties are valued annually. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£244.9m for Council Dwellings, £88.9m for other land and buildings and £3m for investment properties) and the sensitivity of the estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2020 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. We identified the valuation of land and buildings (including Council Dwellings) and investment properties as a significant risk.	We: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation experts; • wrote to the valuers to confirm the basis on which the valuations were carried out; • tested the sampled revaluations made during the year to see if they had been input correctly into the Council's asset register; • selected a sample of in-year valuations to test. • challenged the information and assumptions used by the valuers for the sampled assets to assess completeness and consistency with our understanding once we received the calculations; and • evaluated 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. **Findings** Guidance from RICS in its valuation of land, buildings and investment properties instructs valuers, nationally, to include a material uncertainty paragraph in their valuation reports with regards to the movement of property prices and valuations as a result of Covid-19. Given the magnitude of the land and buildings and investment property valuations to the balance sheet and the caveat made by the valuers in their valuation reports, we will highlight the material uncertainty in our audit report in an Emphasis of Matter (EOM) paragraph, drawing attention to the disclosures made in the statement of accounts in Note 4, which was enhanced as part of the audit. The EOM paragraph does not qualify the opinion but refers to management's disclosure on the material uncertainty that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements. In February 2021 we received management's paper on the valuation approach taken for Council Dwellings in 2019/20. Council Dwellings have been uplifted by a specific percentage, rather than having been formally valued by the District Valuer, which is against the requirements of the CIPFA Code which state a professional valuer should be used for valuation purposes. We have raised a recommendation in respect of this in Appendix A. We have engaged our own valuation expert to review the index applied to ensure that this is appropriate and we are awaiting their response to these queries.

Other audit risks

Risks identified in our Audit Plan	Auditor commentary
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	In our review of the Council's accounting policies we identified that the disclosure in relation to IFRS 16 was not included. We recommended that management add the disclosure to the statement of accounts which they agreed to.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings - £88.9m	The Council used its internal valuer to complete the valuation of it's land and buildings as at 31 December 2019 as part of it's five yearly cyclical basis. 81%, by value, of total assets were revalued during 2019/20. Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 December 2019 and those valued in earlier years, based on the market review provided by the valuer as at 31 March 2020, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the property values. In line with nationally issued RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue within its 'Assumptions made about the future and other major sources of estimation uncertainty' disclosure in the Statement of Accounts.	We have assessed the Council's valuer to be competent, capable and objective. We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate – refer to page 8 for our findings. We confirm consistency of the estimate against the expectation derived by the audit team through the use of our auditor expert, Gerald Eve, and concluded that the movements and potential movements for non-valued assets were reasonable with no material issues arising. We confirm consistency of the estimate against the Gerald Eve report, and reasonableness of the increase in the estimate. We have agreed the valuation report to the Fixed Asset Register and to the Statement of Accounts. Our proposed audit opinion includes an Emphasis of Matter paragraph to draw attention to the disclosure on the material uncertainty in respect of valuations, which is a national issue.	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Council Housing - £244.9m	The Council is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.	As a result of Covid-19 the Council were advised by the District Valuer that the revaluation of Dwellings would not be performed as usual and that a desktop application of indices would be actioned. Council's management, with guidance from the District Valuer, have performed the indexation exercise themselves. This goes against the requirements of the CIPFA Code and we would recommend that the Council undertakes a full valuation performed by a qualified valuer at 31 March 2021. We received a response from management on the rationale and approach adopted to the valuations in February 2021. We have engaged our own valuations expert to consider the index and approach and are currently awaiting their response. Our proposed audit opinion will also include an Emphasis of Matter paragraph to draw attention to the disclosure on the material uncertainty in respect of valuations, which is a national issue. This material uncertainty covers the unusual valuation process utilised for 2019/20.	Red
Investment properties - £3m	The Council's Investment property was purchased in year and revalued at the 31 March 2020 for inclusion in the Balance Sheet. Guidance from RICS in its valuation of land, buildings and investment properties instructs valuers, nationally, to include a material uncertainty paragraph in their valuation reports with regards to the movement of property prices and valuations as a result of Covid-19.	We have assessed the Council's valuer to be competent, capable and objective. We reviewed the valuation performed by the valuer, with reference to the comparative properties and information used by the valuer in undertaking their valuations and considered these to be appropriate. We agreed the valuation report to the Fixed Asset Register and to the Statement of Accounts. Our proposed audit opinion includes an Emphasis of Matter paragraph to draw attention to the disclosure on the material uncertainty in respect of valuations, which is a national issue. The Council did not distinguish the material uncertainty in relation to Investment property in it's disclosures. We recommended that the valuation of investment property, including the material uncertainty, be included in the note regarding material estimates.	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentiallymaterially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptionswe consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £63.4m	The Council's net pension liability at 31 March 2020 is £63.4m (PY £65.4m). The Council uses Barnett Waddingham LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £6.8m net actuarial gain during 2019/20.	We have assessed the Council's actuary, Barnett Waddingham LLP, to be competent, capable and objective. We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019/20 roll forward calculation carried out by the actuary and have no issues to raise. We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.35%	2.35%	GREEN
Inflation (RPI/CPI)	2.7% 1.9%	2.65%-2.8% 1.85%-1.95%	GREEN
Pension increase rate	1.9%	Between 1.85%-1.95%	GREEN
Salary growth	2.9%	Between 2.85%-2.95%	GREEN
Life expectancy – Males currently aged 45 / 65	Pensioners: 22.9 years Non-pensioners: 24.3 years	21.4 – 23.2 22.8 – 24.7	GREEN
Life expectancy – Females currently aged 45 / 65	Pensioners: 24.1 years Non-pensioners: 25.5 years	23.7 – 24.7 25.2 – 26.2.	

We are finalising our procedures in respect of the net defined pension liability and the recognition of the transactions and balances in the financial statements of East Devon District Council. We are also awaiting receipt of a letter of assurance from the auditor of Devon Pension Fund in respect of the processes and controls in place at the Pension Fund covering the information that is supplied to the actuary.

Significant findings – going concern

Our responsibility

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 entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary	Auditor commentary
Management's assessment process The Council's accounts have been prepared on the going concern basis. Public sector bodies are assumed to be a going concern where the continuation of the provision of a service in the future is anticipated, as evidenced by inclusion of financial provision for that service in published documents.	We have subjected the 2020/21 budget and Medium Term Financial Strategy to 2031 to detailed scrutiny and reviewed the planned budget proposals for 2020/21 in our consideration of the appropriateness of management's use of the going concern assumption. The Section 151 officer has produced an assessment of the Council's use of the going concern assumption. We have reviewed this and the underlying support and concur with the opinion that the going concern basis is appropriate. In only exceptional circumstances would we expect a local authority not to prepare its accounts on a going concern, in line with the Code and the public sector adoption of the going concern assumption. In 2020/21 the Council expects to achieve a balanced budget. At 31 March 2020 the Council's usable reserves stood at: • General Fund - £16.8m (of which non-earmarked General Fund is £6.4m). This represents 18% of the annual gross cost of the provision of services. • HRA - £9.1m. This represents 82% of the gross HRA expenditure. The Council had £39.2m of short term cash and investments which represents over 3 years of net cost of services expenditure. The Council therefore has access to cash to meet its bills. It also has sufficient borrowing headroom within it's borrowing limit as set out in it's Treasury Management Strategy. The Covid-19 pandemic has resulted in a reduction of income in 2020/21, some of which has been covered through government support. This shows an overall projected overspend of £1.2m (9.3% of the total Budget of £12.6m for 2020/21). This position is after taking into account the £1.7m Government Grant that the Council has received for Covid-19. The HRA budget is currently predicted to be £0.5m underspent against the original net budget of £0.9m surplus. The Council has an adopted range for the General Fund Balance to keep within £3m to £3.8m. The predicted balance is currently within this range and any required action can be taken at year end. **Conclusion** Management did not disclose any material uncertainty about the Council's ability to continue as a going concern and our audit procedures led us to conclude that was appropriate. However we recommended that the Council add further disclosures around the Council's going concern position and the impact of, and response to, the economic difficulties created by the Covid-19 pandemic. We have received management's cash flow forecasts to April 2022 and are currently reviewing these.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. 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 procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Committee papers. Specific representations have been requested over the prior period adjustments that were identified.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and investment institutions. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Disclosures	Further information on disclosure changes arising from our audit can be found in Appendix C.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management have been provided, with the exception of the final outstanding items listed on page 3. The finalisation of the audit has taken a significant amount of time, due in part to capacity issues within the finance team.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially consistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. No inconsistencies have been identified to date. We plan to issue an unmodified opinion in this respect – refer to appendix E. Best practice reporting in the AGS would include the following items: • reference to governance arrangements within partnerships and joint working; • reference to Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014); and • reference to role of Head of paid service. The Council should also include details of it's risks and opportunities and non-financial performance in future Narrative Reports.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit; and • if we have applied any of our statutory powers or duties. We have not identified any requirement to exercise our statutory powers. We need to review the final version of the Annual Governance Statement.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Detailed work is not required as the Council does not exceed the audit threshold set by the NAO, and we will issue our assurance return on this basis.
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of East Devon District Council in the audit report, as detailed in Appendix E.

Value for Money

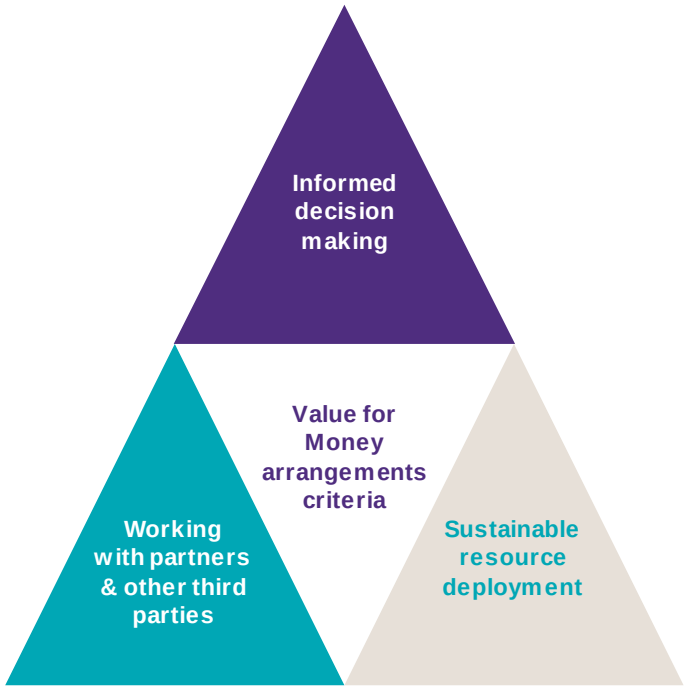
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 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:



Risk assessment

We carried out an initial risk assessment in March 2020 and identified one significant risk in relation to the Council's financial sustainability using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 26 March 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the Council's arrangements for setting it's 2019/20 budget and medium term financial strategy;
- how these evolved through discussion and reporting;
- the Council's monitoring and flexing of the budget through 2019/20;
- the Council's 2019/20 financial outturn; and
- the Council's response to the Covid-19 pandemic on it's income and expenditure streams.

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20 to 21.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money (continued)

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Financial outturn and sustainability

The Council's original 2020/21 Budget proposal shows a shortfall of £0.7m for 2020/21 rising to £2.3m in 2021/22.

At 31 March 2019, the Council had General Fund Reserves of £12.6m and Housing Reserves of £7.8m, the General Fund balance represents 4.4% of the Council's gross cost of services.

All non-statutory services are under pressure to deliver savings and there is a risk that the Council could fail to set balanced budgets in the future.

Findings

The Council set out its Transformation Strategy and Financial Plan (2019-2029) in October 2018. This set out a projected deficit for the Council's General Fund in 2019/20 of £0.7m and forecast a cumulative budget shortfall to 2028/29 of £4.6m.

The Transformation Strategy identified an approach to addressing the longer term financial challenges, including a significant shortfall of £2m projected for 2020/21 resulting from a presumed rebasing of business rate income. The actions identified in the Transformation Strategy for 2019/20 bridged the predicted budget deficit to within £0.3m of a balanced budget, this included a savings target of £0.25m under the heading of "fit for purpose".

In February 2020, the 2019/20 General Fund budget adopted by Cabinet proposed a budget with a net General Fund revenue spend of £15.2m, with a requirement to use £0.24m from the General Fund balance.

The budget was monitored throughout 2019, and at Month 5 the Council was forecasting an underspend of £0.2m arising from increased car park income and staff cost savings across the Council.

2019/20 Out-turn

The final year end outturn position resulted in an underspend of £2.7m against the net budget of £15.2m, the major factors leading to this were:

- Business Rates gain from over-prudent prediction - £2.5m
- Employee cost savings - £0.25m
- Devon Business Rates Pool gain - £0.3m
- Strata savings - £0.2m
- Shortfall in planning fees - (£0.4m)

The General Fund balance at £6.4m at 31 March 2020 represents 10% of the Council's net budget.

With the General Fund balance being £2.6m above the adopted range (and £3.4m above the minimum sum required to be held) it was proposed that £2m be transferred to the Medium Term Financial Plan Risk Reserve to allow the Council to manage any future budget shortfalls or unexpected events.

Value for Money (continued)

Financial outturn and sustainability

Findings (continued)

Impact of Covid-19

The direct effect of Covid-19 on the Council's finances was presented in July 2020 and this set out an estimated in-year deficit of £4.5m for 2020/21. Possible reductions in Council Tax and Business Rates income would further affect the 2021/22 budget. Management reported the position was an improvement on the initial assessment contained in a briefing note to members in April 2020. Key income areas, particularly car parking, had returned quicker than expected and there was more support from Government than initially expected. The remaining in year gap needed closing and the options presented included the following:

- use of General Fund balance;
- use of savings from carbon reduction/streetscene;
- diverting New Homes Bonus funding from capital to revenue, noting that this would need to be replaced with PWLB borrowing which would incur further future revenue costs;
- utilise the 2019/20 windfall sum available of around £2.5m from the additional business rate income; and
- use of repurposed earmarked reserves.

The Council's MTFP was revisited in September 2020 and forecasts a projected deficit for 2021/22 of £0.7m which then increases, reaching £5.7 by 2030/31. Clearly this is an unsustainable pattern and not one that the Council will allow. This updated MTFP is in line with previous assessments and reports to Council and over the three years to 31 March 2024 the Council has an underlying cumulative shortfall of £1.8m. The Council is proposing to use the income from additional rates to close the budget gap, whilst the Council identifies savings to address the 2021/22 shortfall of £0.7m.

Auditor view

As the reserves position at 31 March 2020 shows, East Devon District Council has robust procedures to set, monitor and deliver its financial plans and the Council has accumulated a good level of reserves to meet those plans. The Council has an adopted range for the General Fund balance to be within £3m to £3.8m, and at year end the balance was greater than this. Future projections show funding shortfalls, however the Council has the time and financial headroom to consider it's response to these future challenges.

As such, we propose to issue an unqualified Value for Money conclusion for 2019/20.

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits Subsidy return	£12,000*	Self-interest, self-review, management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,000 in comparison to the originally proposed fee for the audit of £40,271 and in particular relative to Grant Thornton UK LLP's turnover overall. We do not prepare the return, and do not expect material changes to arise from the work that would affect information in the financial system. We report factually, based on the instructions and any decisions on amendments to returns are for the Council to make, in discussion with the relevant government body. These factors all mitigate the perceived self-interest, self-review and management threats to acceptable levels.
Agreed upon procedures in respect of the Council's pooling of housing capital receipts return	£5,000	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 fee for this work is not expected to be significant in comparison to the total fee for the audit and in particular is not significant 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.
Prior year housing capital receipts return certification	£9,000		
Non-Audit related			
Place Analytics	£6,000	Self-interest, (because this is a recurring fee)	The fee is a subscription fee. The fee for this work is negligible in comparison to Grant Thornton UK LLP's turnover overall and the Council's audit fee. It is also a fixed fee with no contingent element. These factors all mitigate the perceived self-interest threat to an acceptable level.

*proposed fee, our work has yet to be finalised on the Council's Housing Benefits Subsidy return for 2019/20.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Councils S151 Officer. None of the services provided are subject to contingent fees.

Action plan

We have identified three recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2020/21 audit. 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.

Assessment	Issue and risk	Recommendations
Red	As a result of Covid-19 the Council were advised by the District Valuer that the revaluation of Dwellings would not be performed as usual and that a desktop application of indices would be actioned. Council's management, with guidance from the District Valuer, have performed the indexation exercise themselves. The CIPFA Code sets out the requirements for the valuation of land and buildings, including Council Dwellings. The Code is clear that management should not apply indices to derive asset valuations. As an area of key estimation, management should ensure that they follow the requirements of the CIPFA Code for future property valuations.	We would recommend that the Council undertakes a full valuation performed by a qualified valuer at 31 March 2021. **Management response** As per the councils revaluation policy, housing assets are valued on a five year rolling programme in which one fifth of the authorities' individual beacon sites are visited, revaluing all beacons with the 5 year timeframe.
Amber	Our testing of year end balances identified that there were historical items included in the ledger that should have been written off in accordance with the Council's policies. There is a risk that Council is not adhering to it's financial policies and that the financial statements include balances that should no longer be recognised.	We recommend that the Council review it's Balance Sheet to ensure that balances are written off as appropriate. **Management response** Balance sheet review will be undertaken in line with that incorporated into the closedown timetable.
Green	Best practice reporting in the AGS would include the following items: • reference to governance arrangements within partnerships and joint working; • reference to Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014); and • reference to role of Head of paid service. The Council should also include details of it's risks and opportunities and non-financial performance in future Narrative Reports.	We recommend that the Council makes reference to the identified best practice items in future Annual Governance Statements and narrative Reports. **Management response** The identified items will be included in future reporting.

Follow up of prior year recommendations

We identified the following issues in the audit of East Devon District Council's 2018/19 financial statements, which resulted in the following recommendations being reported in our 2018/19 Audit Findings report. We set out below the progress made against each of these.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	It is a requirement that the carrying value of property, plant and equipment is not materially different from current value, and although the Council does revalue a significant proportion of its assets during each year, there is no formal process in place to assess whether for land and buildings not revalued at 31 March 2019, the current value is not materially different from the carrying value.	The Council's valuer has assessed the carrying value of it's land and buildings at 31 March 2020 and confirmed that there is no material variation. We have reviewed the valuation of the Council's land and buildings and have reported our findings elsewhere in this report. Management should continue to engage valuation experts to review assets not formally valued in year to establish if there is a possibility of material misstatement.
✓	Although the council has a day to day bank reconciliation in place there is no structured process which at the year-end fully traces the Cash at Bank figure in the financial statements through to the bank balance on the bank statement that fully investigates and documents reconciling items.	Bank reconciliation was tested. We identified a prior period adjustment in respect of the bank overdraft as previously reported.
X	While no issues impacting the Net Financial Position or Net Expenditure of the council were identified, a number of omissions and inconsistencies were found during the audit, predominantly impacting the notes to the financial statements.	We identified various presentational issues as set out in Appendix C. These adjustments impacted on the Council's main financial statements and we would expect these would have been identified by internal quality review prior to presentation of the draft financial statements to audit.
X	Our audit work identified that there is no formal process in place for the authorisation of journals. This is due to the small size of the finance team and the limited number of people able to post journals. No issues were identified in our testing of journals.	This is still the case. Our review of journals included a full review of journals input by senior staff. No issues were identified in our testing of journals in 2019/20, however lack of authorisation still means that there is a risk of fraudulent or erroneous journals being posted.
✓	Various IT controls recommendations were made following our prior period audit.	Management have provided commentary that shows progress has been made against all recommendations.

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

Misclassification and 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.

Disclosure	Detail	Adjusted?
Comprehensive Income and Expenditure Statement	The original draft accounts contained casting errors in the CIES. In the net cost of services section of the statement, all rows were shown against the heading one lower than they should have been, and as such the totals did not cast. This meant that the correct HRA values not reported in the CIES at all. All lines were affected (e.g. originally, 'Corporate Business' was shown as all zeros, and 'Corporate Services' was shown as £143k. The £143k actually related to 'Corporate Business', and so on).	Y
Comprehensive Income and Expenditure Statement / Cash Flow Statement	Our audit identified that the Council had incorrectly treated Major Repairs expenditure as a disposal in year rather than writing the value out as part of the revaluation of it's Housing assets. Whilst there was no impact on the Council's General Fund, a number of classification adjustments were posted in the Comprehensive Income and Expenditure Statement and Cash Flow statement, with an adjustment of £4.8m in 2019/20. For the financial year 2018/19 an adjustment of £4.9m has been processed as a prior period adjustment in respect of the same issue. Various notes were also impacted by the changes above, with the adjustments flowing through notes 7, 7a, 8, 8a, 9, 11, 24, 34.4 and HRA note 4.	Y
Movement in Reserves Statement	'General Fund Total' and 'Housing Revenue Total' columns added to MiRS as a requirement of the CIPFA Code.	Y
Balance Sheet	An additional line was added to the Balance Sheet to separately report the value of Investment Properties (£3,000k) from the remaining Property, Plant and Equipment assets held by the Council £358,330k). They were originally reported in the same line. This adjustment was also processed in the valuation table in Note 24.	Y
Balance Sheet / Cash Flow Statement	An additional line was added to the Balance Sheet to separately report the value of the Council's bank overdraft (£2,534k) from it's other short term borrowing (£4,792k). They were originally reported in the same line. The adjustment was also made to the prior period for the bank overdraft of £2,077k. This also meant that there were adjustments to the cash flow statement to ensure that the net cash position (excluding bank overdraft) was the starting and ending point of the cash flow statement. The movement in bank overdraft between 31 March 2019 and 31 March 2020 of £458k was originally reported as 'Cash Receipts of short term and long term borrowing' in the cash flow statement. This movement was removed in the final version.	Y

Audit adjustments

Misclassification and 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.

Disclosure	Detail	Adjusted?
Cash Flow Statement	The original Cash Flow Statement showed £9,016k of cash receipts from the disposal of property, plant and equipment. This was updated to show £11,030k to ensure that the value matched the Movement in Reserves Statement and the actual receipts in year. The other side of the adjustment affected the 'Disposal of Assets' line in the Cash Flow Statement.	**Y**
Significant estimates	There was no disclosure of the material estimation uncertainty relating to investment properties held by the Council or by the Pension Fund Administering Authority on behalf of the Council. These disclosures were made in the updated statements and were required as a result of the disclosures made by valuation experts in accordance with RICS requirements arising as a result of the Covid-19 pandemic.	**Y**
Accounting policies	Accounting policy 1.16 states investment properties are valued via a 5 year rolling programme. They should all be valued annually at 31 March in accordance with the Code requirements. The Council's investment property was valued in year and hence this is a disclosure issue not an issue with the Council's actual policy.	**Y**
Note 2. Accounting Standards issued, Not Adopted	Note 2: Accounting standards not adopted should make reference to IFRS16 and it's deferral	**Y**
Note 3. Critical Judgements in Applying Accounting Policies	The original disclosure relating to the leisure centre contract did not show why the Council arrived at its judgement over the adopted accounting treatment. This disclosure was made in the final version of the financial statements.	**Y**
Note 7 EFA	The note did not meet the requirements of the Code in that it doesn't reconcile to the total general fund balance (including earmarked reserves). Additional lines were added to the statement to complete this reconciliation.	**Y**
Note 9 Adjustments between Accounting basis and funding basis	The disclosures in respect of pension adjustments in the pensions note and the pensions reserve reconciled, however the movements shown in the movement in reserves statement were lower: "Items related to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES" = £436k lower in the MiRS "Employer's pensions contributions and direct payments to pensioners payable in the year" = £126k lower in the MiRS	**N - unadjusted**
Note 11	The line 'Gain/loss on disposal of non-current assets' was originally shown as £4,851k. This related to prior year values, and should have been stated as £2,833k. Note that the £2,833k was subsequently updated as a result of the adjustment reported previously in respect of HRA valuations/disposals accounting.	**Y**

Audit adjustments

Misclassification and disclosure changes

Disclosure	Detail	Adjusted?
Note 19 Defined Pension liability	A reclassification of £1,230k was made between the lines 'Current Service Cost' and 'Past Service Cost' on page 60 to ensure that they matched the IAS 19 report. The sum of the two lines remained unchanged. The original draft financial statements on page 60 showed the experience (gain)/loss of £1,082k to be negative (a gain) however this was actually positive (a loss). The note was updated to state that impact of the McCloud judgement has been incorporated into actuarial valuation at 31 March 2020.	Y
Note 28. Financial Instruments	A new disclosure was added to the financial statements setting out the Council's financial instruments and their respective category. This also identified those items within debtors and creditors that do not meet the definition of a financial instrument in accordance with the Code requirements. Debtors and creditors were originally disclosed as Level 3 on the Fair Value hierarchy. The Council adjusted these to Level 2 based upon their inputs. The Council also updated the fair value disclosure in respect of PWLB borrowings from £118,526m to £96.572m to ensure that this matched the valuation, based on the New Loan Rate, provided by their valuation experts.	Y
Note 29. Debtors and Payments in Advance **Note 31. Creditors and Receipts in Advance**	The disclosure note classifications were updated from organisation type (such as 'Central Government Bodies', ' Other Local Authorities' etc) to the type of debtor/creditor (such as 'Council Tax and Business Rates' and 'Trade Receivables' or 'Trade Payables') in order to be in compliance with Code requirements. Whilst the individual line values therefore changed, the total of the notes remained the same.	Y
Collection Fund Note 4. Council Tax Base	Band D equivalent dwellings and the Council Tax base for 2019/20 were updated to ensure that these matched the base set by Council.	Y
Minor disclosure improvements	Various minor disclosure changes were made to improve the financial statements. These included referencing, casting and spelling updates.	Y

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail
1	Our testing identified a classification error of £146k relating to income received in advance which had been incorrectly posted to a creditor code which should have been posted to a debtor code. This was not adjusted in the final accounts on the basis of materiality.

Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£46,632	TBC

Non-audit fees for other services	Proposed fee £
Audit Related Services	
Grants:	
Housing Benefit Subsidy return	12,000*
Pooling of Capital receipts return 2019/20	5,000
Prior year pooling of Capital receipts returns	9,000
Non-Audit Related Services	
Place Analytics	6,000

*proposed fee, our work has yet to be finalised on the Council's Housing Benefits Subsidy return for 2019/20.

Reconciliation of fees to the accounts (note: 20)	Disclosure £000	2020 fees £000	Prior year's fees £000	Reported in 2018/19 £000
Audit				
Current year	47	47		39
Under provision prior year	4	-	4	-
Housing Benefit Subsidy	12	12	-	9
Pooling of Capital receipts	-	5	-	3
Additional pooling claims (x2 for previous years)	-	6	-	-
Place Analytics	-	6	6	
Additional fees on grant claims for prior years charged by KPMG				3
Total fees paid to auditors	63	76	10	54

Audit opinion

We anticipate we will provide the Council with an unmodified audit report

DRAFT Independent auditor's report to the members of East Devon District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of East Devon District Council (the 'Council') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Statement for the Year Ended 31 March 2020, the Statement of Movement on the Housing Revenue Account for the Year Ended 31 March 2020, the Collection Fund - Income and Expenditure Account 2019/20 and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Strategic Lead Finance, Section 151 Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Council's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Council's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Lead Finance, Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Lead Finance, Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Strategic Lead Finance, Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Council's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

Audit opinion

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Council will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and investment properties

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings, Council Dwellings and investment properties as at 31 March 2020. As disclosed in Note 4 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in the both the Council's land and buildings valuer's report and the investment property valuer's report. Our opinion is not modified in respect of this matter.

Other information

The Strategic Lead Finance, Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Statement and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Council, the Strategic Lead Finance, Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Strategic Lead Finance, Section 151 Officer. The Strategic Lead Finance, Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Lead Finance, Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Audit opinion

In preparing the financial statements, the Strategic Lead Finance, Section 151 Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Council 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the East Devon District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Council's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jackson Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

© 2020 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Date: ___ March 2021 {same date as date of audit opinion}
Contact number: 01395 517490
Email: sdavey@eastdevon.gov.uk

Grant Thornton UK LLP
2 Glass Wharf
Temple Quay
Bristol
BS2 0EL

Dear Sirs

East Devon District Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of East Devon District Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements

used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.

xii. The financial statements are free of material misstatements, including omissions.

xiii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

xvi. The prior period adjustments disclosed in Note 37 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

Information Provided

xvii. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Audit Committee at its meeting on 18 March 2021.

Yours faithfully

Signed:

Name Sam Hawkins

Position Chair of the Audit and Governance Committee

Date ____ March 2021

Signed:

Name Simon Davey

Position Strategic Lead Finance (CFO/S151)

Date ____ March 2021

Signed on behalf of the Council

Agenda Item 9

Report to: Audit and Governance Committee

Date of Meeting 18 March 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Statement of Accounts 2019/20 including Annual Governance Statement

Report summary:

The Council's Statement of Accounts for 2019/20 has now been audited and is available to the Audit & Governance Committee for approval.

A report is contained on the Agenda from the Council's external auditors Grant Thornton detailing the work carried out and audit conclusion.

Recommendation:

To adopt the 2019/20 Statement of Accounts and delegated authority is given to the Chair to sign when all matters concluded.

Reason for recommendation:

There is a legal requirement for the Council to approve the Council's Statement of Accounts, the Council has delegated this function to the Audit & Governance Committee.

Officer**:** John Symes, Finance Manager, jsymes@eastdevon.gov.uk, 01395 517413

Portfolio(s) (check which apply)**:**

☐ Climate Action and Emergencies
☐ Coast, Country and Environment
☐ Council and Corporate Co-ordination
☐ Culture, Tourism, Leisure and Sport
☐ Democracy and Transparency
☐ Economy and Assets
☒ Finance
☐ Strategic Planning
☐ Sustainable Homes and Communities

Financial implications:

There are no direct financial implication arising from this report.

Legal implications:

The legal requirements for a statement of accounts is set out within the report otherwise there is nothing which requires comment.

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information The Committee were presented the draft Statement of Accounts and details of the amended regulation timetable -
1. Report to Audit Governance September 2020 Draft Statement of Accounts 2019/20
2. Statement of Accounts 2019/20

Link to Council Plan:

Priorities (check which apply)

☐ Outstanding Place and Environment
☐ Outstanding Homes and Communities
☐ Outstanding Economic Growth, Productivity, and Prosperity
☒ Outstanding Council and Council Services

Report in full

1. Approval of 2019/20 Statement of Accounts

1.1 A report to the September meeting of the Audit and Governance Committee presented the draft Statement of Accounts for members understanding and questioning.

1.2 The report also provided details of the amended regulation timetable for the 2019/20 financial year in response to the effects of the COVID-19 pandemic by delaying the statutory publication deadlines.

1.3 The audit is now complete subject to those points raised in Grant Thornton's audit findings report that is contained on the agenda for members' consideration.

1.4 The Accounts, which include the Annual Governance Statement, is appended to this report for members' consideration and approval.

1.5 The year-end financial outturn position for 2019/20 reported to Cabinet on the 8 October 2020 (Link to Outturn report to Cabinet) has not changed through the preparation and Audit of Accounts.

Report to: Audit and Governance Committee

Date of Meeting 18 March 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Internal Audit Plan and Charter March 2021 (2021/22)

Report summary:

This report introduces the Internal Audit Plan for 2021/22 and also incorporates the 'Internal Audit Charter' which sets out the operational relationship between EDDC and the South West Audit Partnership (SWAP).

The Assistant Director for SWAP, together with the Council's S151 Officer and in consultation with the Senior Management Team, has produced an Audit Plan for 2021/22 that requires the approval of the Audit and Governance Committee. This is a flexible plan that may be amended during the year to deal with shifts in priorities or new and emerging risks. Any changes to the plan will be reported to this Committee.

Recommendation:

1. **That the Audit and Governance Committee approve the Internal Audit Plan for 2021-22 (Appendix 1)**

2. **The Audit and Governance Committee approve the Internal Audit Charter (Appendix 2)**

Reason for recommendation:

It is a requirement that the Audit and Governance Committee approve the annual Internal Audit Plan and Audit Charter.

Officer**:** Alastair Woodland, Assistant Director, SWAP.

Portfolio(s) (check which apply)**:**

☐ Climate Action and Emergencies
☐ Coast, Country and Environment
☐ Council and Corporate Co-ordination
☐ Culture, Tourism, Leisure and Sport
☐ Democracy and Transparency
☐ Economy and Assets

☒ Finance
☐ Strategic Planning
☐ Sustainable Homes and Communities

Financial implications:

There are no direct financial implications identified.

Legal implications:

The legal framework is reflected in the report. While there are no direct legal implications arising, ensuring Key Actions are carried out will reduce risk to the Council which in turn will reduce the chance of failures or challenges occurring.

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information

Link to Council Plan:

Priorities (check which apply)

☐ Outstanding Place and Environment
☐ Outstanding Homes and Communities
☐ Outstanding Economic Growth, Productivity, and Prosperity
☒ Outstanding Council and Council Services

SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

East Devon District Council

Proposed 2021-22 Internal Audit Plan and Internal Audit Charter

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Unrestricted

The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2021/22 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.

Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's AGS.

It is the responsibility of the Authority's Senior Management Team and the Audit Committee, to confirm that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

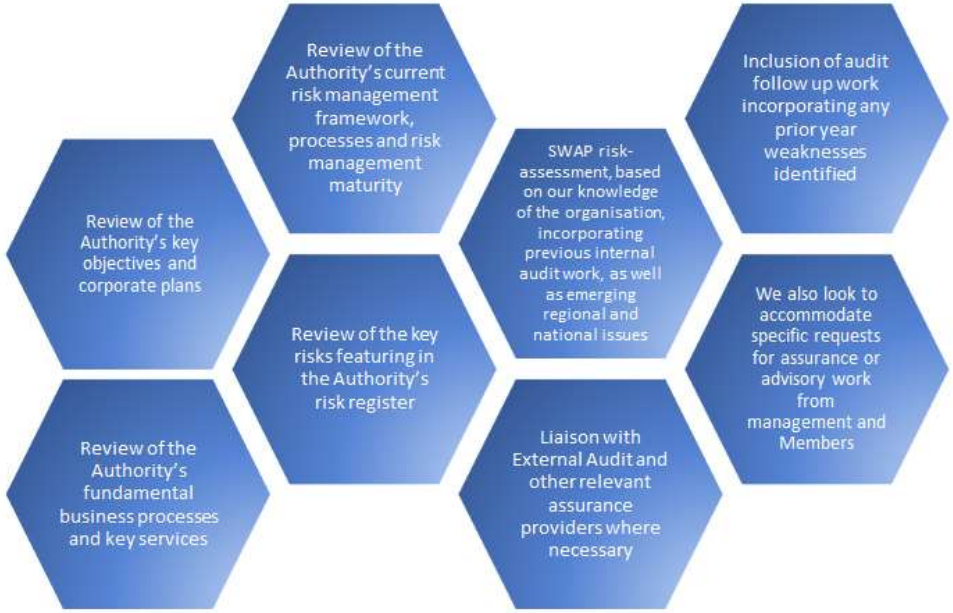
- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Senior Management Team and Audit and Governance Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

Approach to Internal Audit Planning 2021/22

The factors considered in putting together the 2021/22 internal audit plan have been set out below:



Due to the pace of change within Local Authorities and now the impact from Covid-19, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to delivering your internal audit plan will remain flexible to meet that change and respond to new and emerging risks. We will be embracing short-term prioritisation with regular review/updates to the audit plan to mirror the changing pace of risk and assurance needs. We will adopt an 'agile' approach and, each quarter, we will review the next quarter's plan to ensure that we are auditing the right areas at the right time; any necessary changes will, of course, be agreed with the Corporate Management Team, and the Audit Committee will be kept informed.

The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

As above, it is the responsibility of the Authority's Leadership Team, and the Audit Committee to ensure that, following our risk assessment, the proposed plan contains sufficient and appropriate coverage.

Internal Audit Annual Risk Assessment

Our 2021/22 internal audit programme of work is based on a documented risk assessment, which SWAP will re-visit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register will be considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for East Devon District Council:

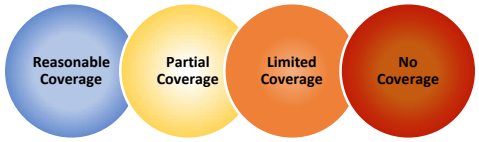
The Internal Audit Plan: Coverage

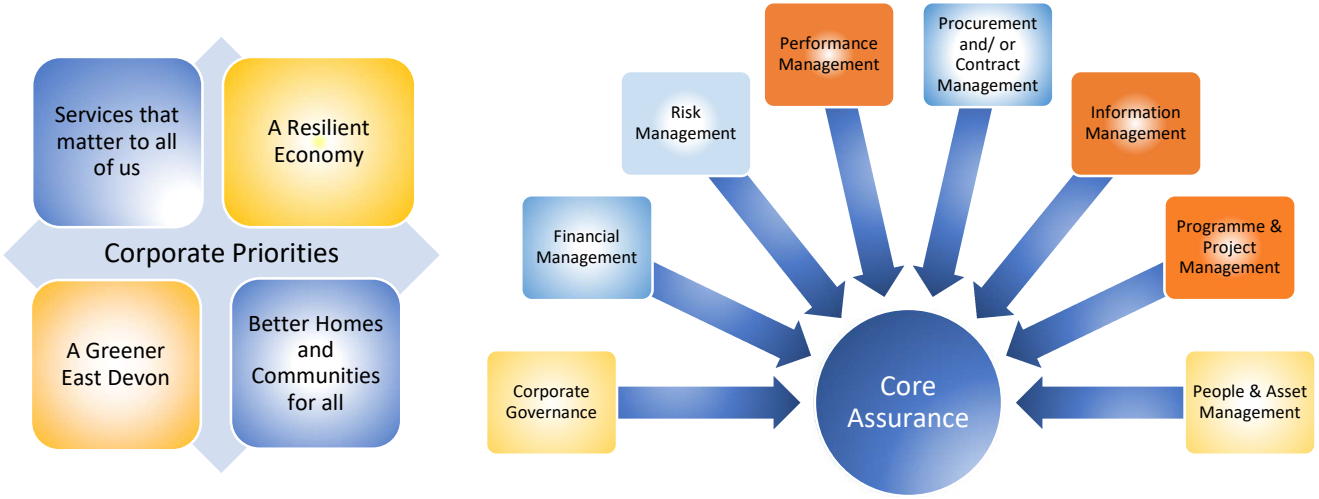
Following our SWAP Risk Assessment above, we have set out how the proposed 20/21 plan presented in Appendix 1 provides coverage of the Authority's key corporate outcomes, as well as our core areas of recommended coverage.

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.

Internal Audit Coverage in 2021/22

Following our SWAP risk assessment, we have set out below the extent to which the proposed plan presented in Appendix 1 provides coverage of the Authority's key corporate priorities, as well as our core areas of recommended coverage. Where we have highlighted limited or no coverage, Senior Management and Audit Committee should seek and document assurance from alternative sources, or consider re-focussing internal audit resource to provide coverage of these areas:





Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 26 public sector partners, crossing eight Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- **Candid**
- **Relevant**
- **Inclusive**
- **Innovative**
- **Dedicated**

Your Internal Audit Service

Audit Resources

The current internal audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your internal audit service for East Devon District Council are:

Alastair Woodland, Assistant Director – alastair.woodland@swapaudit.co.uk, or 07720312467
Adam Williams, Principal Auditor – adam.williams@swapaudit.co.uk
Georgina Teale, Senior Auditor – Georgina.teale@swapaudit.co.uk

Conformance with Public Sector Internal Audit Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed conformance with the Public Sector Internal Audit Standards.

Conflicts of Interest

We are not aware of any conflicts of interest within East Devon District Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, and Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- **Benchmarking and sharing of best practice between our public-sector Partners**
- **Regular newsletters and bulletins containing emerging issues and risks.**
- **Communication of fraud alerts received both regionally and nationally.**
- **Annual Member training sessions**

management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
Delivery of Annual Internal Audit Plan Completed at year end.	>90%
Quality of Audit Work Overall Client Satisfaction (*did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation*)	>95%
Outcomes from Audit Work Value to the Organisation (*client view of whether our audit work met or exceeded expectations, in terms of value to their area*)	>95%

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

As we move to a more continuous audit planning cycle the following Table A outlines the work for quarters 1 and 2 (April – September 2021). Further down Table B highlights the potential work for later in 2021-22 which will be confirmed towards the end of quarter 2.

Table A

Audit Name	Areas of Coverage and Brief Rationale	Quarter	Link Corporate Risk Register (Strategic or Operational)	Link to Corporate Outcome	Healthy Organisation Theme
Accounts Receivable (Debtors)	*Review again in 2020/21 as there were significant changes going on in the department including new systems and processes. Review to ensure arrangements are effective for ensuring all invoices are raised where necessary and effective debt collection arrangements in place to maximise income to the Authority.*	1	*FIN-RK-0158*	*Services that matter to all of us*	*Financial Management*
Payroll	*. To include Strata payroll. Implementation of iTrent changes*	1	*FIN-RK-0081*	*Services that matter to all of us*	*Financial Management*
Post payment assurance for COVID-19 grant schemes	*Undertaking post payment assurance checks. There has been a requirement to pay grants as quickly as possible with caveats in the conditions that there will be significant post payment assurance work.*	1	-	*Services that matter to all of us*	*Corporate Governance*
Health and Wellbeing	*Impact of Covid-19 on staff and mental health support provided by the Council*	1	OD-RK-0024	*Services that matter to all of us*	*People and Asset Management*
Contract Management	*Focus on smaller contracts. Follow up on potential issues identified in the Procurement Audit.*	1	LGL-RK-0113	*Services that matter to all of us*	*Commissioning and Procurement*
Risk Management	*Is Risk Management fully imbedded? Risks to Council Priorities not included in Register.*	2	-	*Services that matter to all of us*	*Risk Management*
Decision Making	*This is to examine the clarity on decision making process and ensure that decisions are made in line with delegated powers. It will also examine the relationship arrangements for effective decision making. Deferred from Q4 of 2020-21 Plan.*	2	*010-RK-0211*	*Services that matter to all of us*	*Corporate Governance*

Audit Name	Areas of Coverage and Brief Rationale	Quarter	Link Corporate Risk Register (Strategic or Operational)	Link to Corporate Outcome	Healthy Organisation Theme
Workforce Planning	*Austerity has forced local government to significantly cut its workforce. There has also been a freeze on public sector pay. As councils have reorganised and delivery models have changed skill sets have changed and staff have higher workloads. What is EDDC doing to maintain dedicated and competent workforce with the right skills. Consider workforce planning, succession planning, recruitment and retention process and staff training opportunities.*	2	OD-RK-0025	*Services that matter to all of us*	*People and Asset Management*
ICT Assurance	*Potential time to cover aspects around the ICT environment outside of Strata's remit.*	2	-	-	*Information Management*
Corporate H&S – Revised Working arrangements	*Focus on changes as a result of COVID-19 and workforce returning to the office environment during 2021. Updating of risk assessments*	2	010-RK-0208	*Services that matter to all of us*	*People and Asset Management*
Financial Planning (MTFP)	*Budget gap for 2021/22 and 2022/23.*	2	010-RK-0054	*Services that matter to all of us*	*Financial Management*
Fleet Management	*Requested by Members. Focus on whether the current policy is appropriate and the green agenda – increased use of Electrical Vehicles.*	2	*N/A*	*Services that matter to all of us.*	*People and Asset Management*
S106/CIL	*Limited Assurance Opinion audit in 2020/21. Follow up of actions agreed.*	2	*PLA-EK-0198*	*Homes and Communities*	*Programme Management*

The following audits are other areas that we are planning on undertaking in quarter 3 and 4 but could be subject to change. This will form the basis of a rolling 12-month plan. A longer list of other potential areas for consideration can be found on the members portal.

Table B

Audit Name	Areas of Coverage and Brief Rationale	Indicative Quarter	Link Corporate Risk Register (Strategic or Operational)	Link to Corporate Outcome	Healthy Organisation Theme
Play Schemes/Areas	*Capital, repairs, inspections for safety*	3	*STR-RK-0006*	*Homes and Comm*	*People and Asset Management*
Main Accounting	*Key control audit last completed in 2018/19. This will include budgetary control*	3	*010-RK-0054*	*Services that matter to all of us*	*Financial Management*
Housing Rents	*Impact of Covid-19 on rental income. Possible increase in tenants claiming Universal Credit/Housing Benefit*	3	*HOU-RK-0045*	*Services that matter to all of us*	*Financial Management*
Housing Benefit and Council Tax Support	*Has there been an increase in Housing Benefit claims due to COVID-19? Review of controls over the new Council Tax Support Scheme.*	3	*FIN-RK-0109*	*Services that matter to all of us.*	*Financial Management*
Economic Resilience	*Impact of Covid-19 on Growth Point (Strategic Risk) and other area development. Decline of High Streets. What is EDDC doing to support small businesses.*	3	*010-RK-0025*	*A Resilient Economy*	*Programme management*
Leisure East Devon (LED)	*We reviewed this back in 2014/15 but not since. To look at arrangements in place to ensure that the leisure service is being delivered according to the contracts in place.*	3	*COU-RK-0092*	*Homes and Comm*	*Programme & Project Management*
Homelessness	*Look at increasing need for Temporary Accommodation due to Covid-19. Impact on the housing service due to more people getting evicted.*	3	010-RK-0026	*Homes and Communities*	-
Housing Compliance – Asbestos	*Rolling Programme of audits covering Gas Safety, Fire Safety Management, Asbestos Management and legionella. For 2021-22 the focus will be on Asbestos. The Council has a legal duty under the Asbestos Regulations to ensure that properties with asbestos are known and effectively managed.*	4	HOU-RK-0023	*Homes and Communities*	-

Audit Name	Areas of Coverage and Brief Rationale	Indicative Quarter	Link Corporate Risk Register (Strategic or Operational)	Link to Corporate Outcome	Healthy Organisation Theme
Disabilities Facilities Grants (DFG) and Better Care Funds	*You could get a DFG grant if you're disabled and need to make changes to your home, for example to: widen doors and install ramps; improve access to rooms and facilities – e.g., stairlifts or a downstairs bathroom; provide a heating system suitable for your needs; adapt heating or lighting controls to make them easier to use.* *The Council haven't been using all the grants allocated. This review will look at how the grants are promoted and administered to ensure they are being used effectively and the risk around fraud is minimised.*	4	*HOU-RK-0040*	*Homes and Communities*	*Financial Management*
Climate Change	*Climate Change Strategy in place. Focus on progress made by services on their Carbon Impaction Action plans*	4	*N/A*	*A Greener East Devon*	*Programme Management*

The Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within East Devon District Council, and to outline the scope of internal audit work.

Approval

This Charter was approved by the Audit and Governance Committee on 24 September 2020 and is reviewed each year to confirm it remains accurate and up to date. It was last reviewed by the Audit and Governance Committee on 18 March 2021*.

Provision of Internal Audit Services

The internal audit service is provided by the SWAP Internal Audit Services (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment which is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

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

Responsibilities of Management, Audit, Governance and Standards Committee and of Internal Audit

Management[1]
Management is responsible for ensuring SWAP has:

- the support of management and the Council;
- direct access and freedom to report to senior management, including the Council's Chief Executive and the Audit, Governance and Standards Committee; and
- Notification of suspected or detected fraud, corruption or impropriety.

Management is responsible for establishing (including the tracking and implementation of Internal Audit recommendations) and maintaining internal controls, including proper accounting records and other management information and is also responsible for the appropriate and effective management of risk.

[1] In this instance Management refers to the Senior Management Team and Statutory Officers.

Unrestricted

Audit and Governance Committee[2]

The Audit and Governance Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director (as Head of Internal Audit[3]) on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

Internal Audit

The SWAP Assistant Director is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work designed to provide assurance and add value.

Internal audit is responsible for operating under the policies established by management in line with best practice. A range of SWAP policies exist to underpin staff and service development, including to seek out and implement new innovative audit techniques and increase technological solutions to ensure provision of an efficient and effective service and consolidate the role of Trusted Advisor.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to conform with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until a minimum of one year has elapsed.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP and Assistant Director also report to the Section 151 Officer, and report to the Audit and Governance Committee as set out below.

The Assistant Director will be the first and primary point of contact for East Devon District Council for all matters relating to the Audit and Governance Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of the Council.

[2] In this instance Audit, Governance and Standards Committee relates to “The Board” referred to in the PSIAS.
[3] PSIAS refers to the ‘chief audit executive’.

Unrestricted

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of East Devon District Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;

- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;

- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;

- assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;

- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;

- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;

- appraising the economy, efficiency and effectiveness with which resources are employed;

- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.

- reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values (and investigating where necessary) ethical expectations and corporate, social and environmental values and responsibilities; and.

- at the specific request of management, internal audit may provide consultancy services (including e.g. data analytics, benchmarking, strategic/project reviews/investigations etc) provided:

    - the internal auditor’s independence is not compromised.
    - the internal audit service has the necessary skills to conduct the assignment, or can obtain such skills without undue cost or delay.
    - the scope of the consultancy assignment is clearly defined, and management can resource the work.

  Management understands that the work being undertaken is not internal audit work although the outcomes may contribute to the annual opinion.

Unrestricted

Planning and Reporting

SWAP will submit an internal audit plan to Management and the Audit and Governance Committee for approval, setting out the recommended scope of work and which will be developed with reference to current and emerging risks. The plan will be reviewed on a quarterly basis to ensure it remains relevant and adequately resourced.

SWAP will carry out the work as agreed, report the outcomes and findings both during and on completion of reviews, and make recommendations on action to be taken to the appropriate officers and copied to the S151 Officer. SWAP will present a regular summary of their work to Management and the Audit and Governance Committee, including assessing the organisation's implementation of previous recommendations along with any significant, persistent and outstanding issues.

Internal audit reporting will normally comprise a brief presentation to relevant officers and accompanied by an appropriately detailed written report, with the format tailored as necessary to the nature of the work. The detailed report will also be copied to the Section 151 Officer and to other relevant line management.

The Assistant Director will submit an annual report to the Audit and Governance Committee providing an overall opinion of the status of risk and internal control within the Council, based upon, and limited to, internal audit activity conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit and Governance Committee, the organisation's Chief Executive Officer or the External Audit Manager.

Revised March 2021.

Unrestricted

Report to: Audit and Governance Committee

Date of Meeting 18 March 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Internal Audit Plan Progress January 2021 (2020/21)

Report summary:

This report is to provide an update on the 2020/21 Internal Audit Plan as at March 2021.

Recommendation:

Members are asked to note progress made in delivery of the 2020/21 internal audit plan and significant findings.

Reason for recommendation:

The Committee are required to review the progress of the audit plan.

Officer**:** Alastair Woodland, Assistant Director, SWAP.

Portfolio(s) (check which apply)**:**

☐ Climate Action and Emergencies
☐ Coast, Country and Environment
☐ Council and Corporate Co-ordination
☐ Culture, Tourism, Leisure and Sport
☐ Democracy and Transparency
☐ Economy and Assets
☒ Finance
☐ Strategic Planning
☐ Sustainable Homes and Communities

Financial implications:

There are no direct financial implications identified.

Legal implications:

The legal framework is reflected in the report. While there are no direct legal implications arising, ensuring Key Actions are carried out will reduce risk to the Council which in turn will reduce the chance of failures or challenges occurring.

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information Approved Internal Audit Plan 2020/21 – Audit and Governance Meeting September 2020 item 40

Link to Council Plan:

Priorities (check which apply)

☐ Outstanding Place and Environment
☐ Outstanding Homes and Communities
☐ Outstanding Economic Growth, Productivity, and Prosperity
☒ Outstanding Council and Council Services

SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

East Devon District Council

Report of Internal Audit Activity

Plan Progress 2020/21 March 2021

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Unrestricted

Contents

The contacts at SWAP in connection with this report are:

David Hill
Chief Executive
Tel: 01935 848540
david.hill@swapaudit.co.uk

Alastair Woodland
Assistant Director
Tel: 07720312467
alastair.woodland@swapaudit.co.uk

Summary:

Contents	Page 1
Role of Internal Audit	Page 2

Control Assurance:

Internal Audit Work Programme	Page 3
Significant Corporate Risks	Page 4
Summary of Limited or No Assurance Opinions	Pages 4

Plan Performance:

EDDC Plan Performance	Page 5
Approved Changes to the Audit Plan	Page 6
Conclusion	Page 7

Appendices:

Appendix A – Audit Framework Definitions	Page 8
Appendix B – Summary of Work Plan	Pages 9 - 12

Unrestricted

Internal Audit Plan Progress 2020-21

Our audit activity is split between:

- **Operational Audit**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**

Role of Internal Audit

The Internal Audit service for the East Devon District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which was presented at the September 2020 Audit and Governance Committee.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Management Team. Due to Covid-19 presentation of the 2020-21 plan to the Audit Committee was delayed. The plan was presented at the September 2020 Audit & Governance Committee. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Unrestricted

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.

Internal Audit Work programme

The schedule provided at **Appendix B** contains a list of all audits in the draft plan for 2020-21. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective "assurance opinion" rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit "Audit Framework Definitions" as detailed on **Appendix A** of this document.

The following table summarises the Audits finalised from the 2020/21 Plan sine the January update.

Audit Area	Quarter	Status	Opinion
Performance Management	3	Final	Reasonable

Please see the Limited/No Assurance section below for further information on the above reviews.

Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.

Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.

- **Limited or No Assurance Opinions**
- **Follow-ups**

Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in **Appendix A**. For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with significant (High) corporate risks.

Summary of Work Completed – Limited or No Assurance Opinions

There are no audits finalised to bring to your attention that had 'limited' or 'No' Assurance opinions.

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.

SWAP Performance

SWAP now provides the Internal Audit service for 25 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for East Devon District Council for the 2020/21 (as of 4 March 2021) were as follows:

Performance Target	Target Year End	Average Performance
Audit Plan – Percentage Progress Final, Draft and Discussion In progress Not Started	>90%	67% 21% 13%
Quality of Audit Work Customer Satisfaction Questionnaire	>95%	None Received
Outcomes from Audit Work Value to the Organisation *(client view of whether our audit work met or exceeded expectations, in terms of value to their area)*	>95%	Year end

Unrestricted

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Due to Covid-19 the plan priority areas will be agreed on a quarter-by-quarter basis.

Approved Changes to the Plan

The audit plan for 2020/21 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to East Devon District Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Section 151 Officer.

To manage continuity of work during Covid-19 we have adapted the quarters when audits are undertaken which has resulted in some audits being brought forward and others being pushed back depending on service pressures and staff availability. The new national lockdown announced in January 2020 has further increased the pressure on EDDC through administering additional grants which impacts on BAU service requirements. Also recognising that Fraud risks increase in times of change or crisis changes have been made to the Audit plan to manage these two aspects. Current planned timing of audits is contained in **Appendix B**.

Since our update on the 28 January there are a further two changes to bring to your attention.

LED Contract Management – A number of changes are going on in this area which includes a consultant undertaking some work during this quarter. To not over

Decision Making – Due to a review on the constitution and officer availability this review has been moved to the 2021-22 Audit Plan.

Conclusion

The impact of Covid-19 continues to be felt throughout 2020-21 with additional impacts on services, on-going homeworking and childcare arrangements. The delivery of the 2020-21 Audit plan has been flexible to accommodate the changing needs and priorities of East Devon District Council. Overall good progress has been made on the Audit Plan for 2020-21 and I would like to thank EDDC Officers given the additional pressures they are facing.

There are a number of reviews that are currently at draft report stage. Hopefully by the time of reporting to the Audit Committee a number of these should be finalised.

Internal Audit Definitions

Appendix A

Assurance Definitions	
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Non-Opinion/Advisory	In addition to our opinion-based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

Definition of Corporate Risks	
Risk	**Reporting Implications**
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Summary of Work Plan

Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
FINAL									
Operational Audit	Affordable Housing	1	Final	Reasonable	2	0	2	0	
Governance Fraud and Corruption	Discretionary Grant – Spotlight checks & Advice	1	Final	Advisory	0	0	0	0	
Governance Fraud and Corruption	Audit Committee Benchmarking	1	Final	Advisory	0	0	0	0	
Operational	Green Waste	1	Final	Reasonable	4	0	2	2	
Governance, Fraud and Corruption	Asset Register	2	Final	Reasonable	6	0	2	4	
Governance, Fraud and Corruption	S106/CIL Audit	2	Final	Limited	4	0	2	2	
Governance, Fraud and Corruption	Housing – H&S Compliance (Gas Safety)	2	Final	Reasonable	3	0	1	2	
Key Controls	Creditors	2	Final	Substantial	2	0	0	2	
Governance, Fraud, Corruption	**New:** Covid-19 Grants Q3 Spotlight checks.	3	Final	Advisory	0	0	0	0	
Governance, Fraud and Corruption	Performance Management	3	Final	Reasonable	3	0	0	3	

Unrestricted

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
DRAFT									
Governance, Fraud and Corruption	Procurement	3	Draft						
Governance, Fraud, Corruption	Ethical Governance & Culture	2	Draft						
Governance, Fraud, Corruption	Council Premises – H&S Compliance	2	Draft						
Governance, Fraud, Corruption	**New:** Council Baseline Assessment of Maturity for Fraud Prevention	4	Draft						
Governance, Fraud, Corruption	Firmstep – Digital Transformation	3	Review						
Key Control	New Council Tax Reduction Scheme	3	Review						
IN PROGRESS									
Key Control	Council Tax	4	In Progress						Removed NDR section of this audit.
Governance, Fraud, Corruption	Integrated Asset Management Contract	4	In Progress						
Follow up	Corporate Health and Safety	4	In Progress						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Follow up	Data Protection (GDPR)	4	In Progress						
Governance, Fraud, Corruption	**NEW:** Fraud Risks – Impact of Covid-19	4	In Progress						
NOT STARTED									
Governance, Fraud, Corruption	**New:** Covid-19 grants Q4 – Pre and post checks	4	Not Started						
Governance, Fraud, Corruption	**New:** Fraud Risk Assessment	4	Not Started						
Advice	**New:** Procurement Support	4	Not Started						
REMOVED									
Governance, Fraud, Corruption	Commercialisation Strategy	3	Removed		Replaced with Covid-19 Grants Q3 Spotlight checks.				
Governance, Fraud, Corruption	LED Contract Management	4	Removed		Replaced with Procurement Support and deferred to the 2021-22 Audit Plan.				
Governance, Fraud, Corruption	Decision Making	4	Removed		Deferred to 2021/22 at the request of the Strategic Lead – Governance and Licensing				
Operational Audits	Disabilities Facilities Grants and Better Care Funds	4	Removed		Replaced with Fraud Risks – Impact of Covid-19				

Summary of Work Plan

Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Operational Audits	Private Sector Housing – Fines for Non-compliance	4	Removed		Replaced with Council Baseline Assessment of Maturity for Fraud Prevention and Fraud Risk Assessment				
Key Controls	Accounts Receivable	4	Removed		Replaced with Covid-19 grants Q4 – Pre and post checks				

Agenda Item 12

Report to: Audit and Governance Committee

Date of Meeting 18 March 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Statement of Accounts 2020/21 – Review of Accounting Policies

Report summary:

It is good practice for the Audit and Governance Committee to approve the Accounting Policies to be adopted in advance of the preparation of the Accounts.

Recommendation:

To approve the Accounting Policies for the 2020/21 Statement of Accounts.

Reason for recommendation:

Members of the Audit and Governance Committee have responsibility for the approval of the Annual Statement of Accounts.

Officer**:** John Symes, Finance Manager, jsymes@eastdevon.gov.uk, 01395 517413

Portfolio(s) (check which apply)**:**

☐ Climate Action and Emergencies
☐ Coast, Country and Environment
☐ Council and Corporate Co-ordination
☐ Culture, Tourism, Leisure and Sport
☐ Democracy and Transparency
☐ Economy and Assets
☒ Finance
☐ Strategic Planning
☐ Sustainable Homes and Communities

Financial implications:

The policies set out for approval underpin the Council's reporting on its financial performance and position. There is little discretion to depart from the policies set down by the Code.

Legal implications:

The legal position is detailed in the report and no further comment is required.

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information EDDC Accounting Policies for adoption 2020/21

Link to Council Plan:

Priorities (check which apply)

☐ Outstanding Place and Environment
☐ Outstanding Homes and Communities
☐ Outstanding Economic Growth, Productivity, and Prosperity
☒ Outstanding Council and Council Services

---

1. Background and Proposals

1.1 This report presents the proposed accounting policies to be adopted for the 2020/21 financial year and to be used in the preparation of the statement of Account for the financial year ending 31st March 2021. Adopting the proposed policies will support the timely production of a high quality set of annual accounts.

1.2 The CIPFA (Chartered Institute of Public Finance and Accountancy) LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Local Authority Accounting Board is a standing committee of CIPFA and LASAAC and is responsible for developing the Code of Practice on Local Authority Accounting in the United Kingdom.

1.3 The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of the Council and is based on European Union adopted International Financial Reporting Standards (IFRS). It is reviewed continuously and normally updated annually by the CIPFA / LASAAC Local Authority Board, effective for the financial years commencing 1 April.

1.4 As specified by regulation 21(2) of the Local Government Act 2003, all Local Authorities in the United Kingdom are required to keep their accounts in accordance with 'proper (accounting) practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

1.5 It is therefore essential that the Council's own internal accounting policies are aligned and updated to reflect changes to the Code of Practice and for other transactions that occur during the reporting year.

1.6 The Code specifies the principles and practices of accounting required to give a "true and fair view" of the financial position, financial performance and cash flows of the Council.

1.7 The 2020/21 CIPFA Code of Practice on Local Authority Accounting has only minor changes for understanding, none of which are judged to be material for the Council.

1.8 The proposed accounting policies are presented via the link within the report and do not depart from the provisions of the 2020/21 Code.

2. Future Key Accounting Changes

2.1 Implementation of IFRS16 - Leases will be included in the Code of Practice on Local Authority Accounting for 2022/23, however the authority is already following early guidance in its preparation to moving to the new requirements.

2.2 The main impact of the standard is to remove (for lessees) the traditional distinction between finance and operating leases. Finance leases have effectively been accounted for as acquisitions whereas operating leases are expensed in the year rentals are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach.

Audit and Governance Committee
18 March 2021

Audit and Governance Committee

Forward Plan 2021/22

Date of Committee	Report	Lead Officer
29 July 2021	• Internal Audit Plan 2020-21 Outturn Report • Internal Audit Annual Opinion Report 2020-21 • Internal Audit Plan Progress	SWAP
	• Statement of Accounts 2020/21	Strategic Lead Finance
	• External Audit Plan • Annual audit letter	Grant Thornton
	• Risk Management Review	Management Information Officer
	• S106 and CIL update	Service Lead Planning and Development Management
	• DBS Checks for Councillors - update from LGA	Monitoring Officer
	• Review of the Anti-Fraud Theft and Corruption Policy • Review of the Anti-Bribery Policy • Review of the Whistleblowing Policy • Review of the Local Code of Corporate Governance	Strategic Lead Governance & Licensing
	• RIPA update and policy review	Strategic Lead Governance and Licensing

23 September 2021	• Audit Committee Update • RIPA update • Internal Audit Activity – Quarter 2 2021/22 • Partnership Register	Grant Thornton Strategic Lead Governance & Licensing SWAP Management Information Officer
18 November 2021	• Audit Findings Report • Auditor's Annual Report • Statement of Accounts including Governance Statement 2020/21 • RIPA update	Grant Thornton Grant Thornton Strategic Lead Finance Strategic Lead Governance & Licensing
20 January 2022	• Internal Audit Activity – Quarter 3 2021/22 • Audit Committee update • Risk Management review – half year review • Review of the Anti-Fraud Theft and Corruption Policy, Anti-Bribery Policy and Whistleblowing Policy • Review of the Local Code of Corporate Governance • Strata Annual Internal Audit report • RIPA update	SWAP Grant Thornton Management Information Officer Strategic Lead – Governance & Licensing Strategic Lead – Governance & Licensing DAP Strategic Lead Governance & Licensing
17 March 2022	• Annual Audit Plan 2022/23 and Review of Internal Audit Charter • Internal Audit Plan Progress • External Audit Plan • Audit Committee update • Accounting Policies Approval • RIPA update	SWAP SWAP Grant Thornton Grant Thornton Financial Services Manager Strategic Lead Governance & Licensing