

**Agenda for consultative meeting of the Audit  
and Governance Committee  
Wednesday, 16th March, 2022, 2.30 pm**



**Members of Audit and Governance Committee**

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

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

**Venue:** Online via the Zoom app.

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(or group number 01395 517546)  
Tuesday, 8 March 2022

**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/UCmNHQruge3LVl4hcgRnbwBw>

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-public-meetings/#article-content>

Between 8<sup>th</sup> December 2021 to 11<sup>th</sup> May 2022, the Council has delegated much of the decision making to officers. Any officer decisions arising from recommendations from this consultative meeting will be published on the webpage for this meeting in due course. All meetings held can be found via the [Browse Meetings](#) webpage.

1 Public speaking

Information on [public speaking](#) is available online

2 Minutes of the previous meeting (Pages 3 - 10)

Minutes for 18 November 2021 and 20 January 2022

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.

**Matters for Decision**

7 **Internal Audit Plan Progress (2021/22) - SWAP** (Pages 11 - 27)

8 **Internal Audit Plan and Charter 2022/23 - SWAP** (Pages 28 - 45)

9 **Audit Findings Report - Grant Thornton** (Pages 46 - 81)

10 **Approval of 2020/21 Statement of Accounts and Letter of Representation**  
(Pages 82 - 88)

11 **Full Risk Review November - December 2021** (Pages 89 - 91)

12 **Statement of Accounts 2021/22 - Review of Accounting Policies** (Pages 92 - 94)

13 **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.

14 **Audit and Governance Forward Plan** (Pages 95 - 96)

[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 20 January 2022**

#### **Attendance list at end of document**

The meeting started at 2.30 pm and ended at 4.00 pm

#### **27 Public speaking**

There were no members of the public registered to speak.

#### **28 Minutes of the previous meeting**

The minutes of the Audit and Governance Committee held on 18 November 2021 were recommended to be brought back to the next committee meeting in order to include an inclusion to Minute 22 Councillor DBS Checks.

Cllr Paul Millar asked for the additional recommendation put forward by Cllr Phil Twiss, to be recorded in the minutes of 18 November 2021. The recommendation at the time had been voted against so therefore had not been recorded in the minutes.

#### **29 Declarations on interest**

None

#### **30 Matters of urgency**

None

#### **31 Confidential/exempt item(s)**

There are no items which officers recommend should be dealt with in this way.

#### **32 External Audit Appointment from 2023/24**

The Strategic Lead Finance presented his report that set out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24 and to seek authority for the Strategic Lead Finance to opt in to the national scheme for auditor appointments on behalf of the Council.

#### **RECOMMENDED to Council to;**

1. Accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023, and
2. Authorise the Strategic Lead Finance to opt in to the national scheme for auditor appointments for the provision of external audit services starting with the audit of the 2023/24 accounts.

33 **External Audit Progress report - Grant Thornton**

Beth Garner from Grant Thornton provided an update on the progress in delivering their responsibilities as the council's external auditors.

Having received the report and noted the contents, members;

**RECOMMENDED:**

To note the External Audit Progress report.

34 **Internal Audit Plan Progress 2021/22 - SWAP**

Adam Williams from SWAP provided an update on the 2021/22 Internal Audit Plan as at January 2022. He mentioned he would be seeking feedback from the Committee on any areas of governance and risk that members felt should be covered for future audits in the 2022/23 Audit Plan.

Having received the report and noted the contents, members;

**RECOMMENDED:**

To note the progress made in delivery of the 2021/22 internal audit plan and findings reported, and additionally to move Grant checking audits to a priority due their nature and importance as from the 2022/23 Audit Plan.

35 **SWAP audit of Integrated Asset Management Contract update**

Joanne Garfoot Acting Service Lead Housing updated members on work undertaken following the findings and recommendations contained within the SWAP Audit report of July 2020 and offer assurance that the amber concerns raised had been dealt with in a timely manner.

The Integrated Asset Management Contract was the delivery mechanism for all the HRA repairs, maintenance and void processes and was managed by our procured contractor Ian Williams. The contract was currently in its 3rd year of operation and the partnership was maturing well. The working relationship between Ian Williams and EDDC was strong and able to withstand considerable challenge when required to ensure delivery targets are met.

In response to a question as to whether the contract been seen by the Committee, it was reported that it had not although there had been input from tenants and the Housing Review Board.

In response to a question as to whether Ian Williams was a good contractor the Strategic Lead Finance replied that in terms of risk there was nothing of concern but this was under constant review.

Further discussion included the following;

- Tenants were fed up having to chase the contractor and then them not turning up as agreed
- Tenant surveys were crucial and should be dealt with by the means of a letter with qualitative information being sought
- Most complaints were about communication
- The use of resident associations with a dedicated spokesperson feeding back would avoid the need to send out surveys

- As with private homeowners it took time to get appointments with contractors to carry out repairs etc.

Having received the report and noted the contents, members;

**RECOMMENDED:**

to note the report as an update of the SWAP Audit carried out on the Integrated Asset Management Contract in July 2021.

36 **Review of the Anti-Fraud Theft and Corruption Policy, Anti-Bribery Policy and Whistleblowing Policy**

The Monitoring Officer updated members that the Council's Whistleblowing Policy was due for review in January 2022 and the Anti-Fraud Theft and Corruption and Anti-Bribery policies were due for review in September 2022. Having reviewed the policies the recommendation was that they all remained fit for purpose and therefore no amendments were required. They would be reviewed again in three years' time or earlier if circumstances required.

Cllr Paul Millar stated that the whistleblowing policy should include councillors and any other council partners in order to protect members and contractors.

**RECOMMENDED that;**

Senior Officers confirm that the;

1. Anti-Fraud, Theft and Corruption Policy
2. Anti-Bribery Policy
3. Whistleblowing Policy

remain fit for purpose and would continue to apply unchanged.

37 **RIPA update and policy review**

The Strategic Lead Governance and Licensing's report sought to enable strategic oversight of the Council's RIPA function, to update Members following receipt of the Investigatory Powers Commissioners Report and to seek adoption of the revised Policy.

**RECOMMENDED that;**

Senior Officers approve the adoption of the revised RIPA Policy.

38 **Audit and Governance Forward Plan**

Cllr Paul Arnott asked why the Seaton Jurassic Centre had not been included on the forthcoming committee meeting's Forward Plan. This had been minuted at the 18 November 2021 meeting as a matter the Audit and Governance Committee would look into. It was pointed out that the matter had been agreed to be added to the 2022/23 Audit Plan. Cllr Arnott concerns were the amount of money due to be spent to keep the building in working order as there were defects in its construction. He said that the council would need to explain to residents why this had happened as the building was only 5 years old. He wanted the Centre's building contract to be looked at, particularly the roof and how it was commissioned. He was concerned that this work would not be looked at until the middle of the year.

There was a debate around moving audits from Quarter 1 2022/23 Audit Plan, audits needed to be scoped which all took time and there was no rush to get this audit underway for the sake of a few months. During discussion it was stated that the Audit and Governance Committee's responsibility was to ensure that everything had been checked.

A recommendation to undertake to get the Seaton Jurassic Centre audit underway as soon as possible in Quarter 1 of the Audit Plan 2022/23 was proposed and voted against.

A second recommendation to replace the Quarter 4 2021/22 Economic Resilience audit for the Seaton Jurassic Centre audit was proposed and voted in favour.

**RECOMMENDED that;**

Members note the contents of the Committee Forward Plan for 2021/22 and to include the Seaton Jurassic Centre audit in Quarter 4 2021/22 to replace the Economic Resilience audit.

Items to be considered at the March 2022 committee included:

- Annual Audit Plan 2022/23 and Review of Internal Audit Charter
- Internal Audit Plan Progress (to include Seaton Jurassic Centre)
- Auditor's Annual Report
- Audit Findings Report
- Accounting Policies Approval
- Risk Management review – full year review
- Review of the Local Code of Corporate Governance
- Strata Annual Internal Audit report
- RIPA update

**Attendance List**

**Councillors present:**

D Barrow  
S Gazzard  
N Hookway (Vice-Chair)  
J Kemp  
P Twiss

**Councillors also present (for some or all the meeting)**

P Arnott  
M Chapman  
D Ledger  
P Millar

**Officers in attendance:**

Amanda Coombes, Democratic Services Officer  
Simon Davey, Strategic Lead Finance  
Jo Garfoot, Acting Housing Service Lead  
Beth AC Garner, Grant Thornton  
Amy Gilbert-Jeans, Service Lead Housing  
John Golding, Strategic Lead Housing, Health and Environment  
Jackson Murray, Grant Thornton

John Symes, Finance Manager  
Mark Williams, Chief Executive  
Adam Williams, SWAP

**Councillor apologies:**

S Hawkins  
P Hayward  
G Pook

Chair .....

Date: .....

## **EAST DEVON DISTRICT COUNCIL**

### **Minutes of the meeting of Audit and Governance Committee held at Online via the Zoom app. on 18 November 2021**

#### **Attendance list at end of document**

The meeting started at 2.30 pm and ended at 3.45 pm

#### **17 Public speaking**

There were no members of the public registered to speak.

#### **18 Minutes of the previous meeting**

The minutes of the Audit and Governance Committee held on 23 September 2021 were recommended for approval.

#### **19 Declarations on interest**

None

#### **20 Matters of urgency**

None

#### **21 Confidential/exempt item(s)**

None

#### **22 Councillor DBS checks**

The Strategic Lead Governance & Licensing asked members to consider the Council's position in relation to DBS checks and associated risks.

During the debate discussions included the following:

- Consideration to including enhanced DBS checks to protect the most vulnerable in the community
- There was an assumption that councillors already had DBS checks, it gives residents confidence that the council was doing the right thing. It was only a matter of time before this would become legislation anyway
- DBS checks were only as good as the day they were issued. Would we be recommending that parish councillors also had them?
- Publishing DBS data online was not legal unless consent was granted by the individual concerned
- This was important as DBS checks could regulate councillor behaviour. There was a need to lobby Government now
- Government must lead on this
- Councillors have to prove they are fit and proper to undertake their duties, was it not for EDDC to double check this information?
- DBS checks were one factor, the Safeguarding Policy was essential alongside these checks for taking forward any matters that caused concern to a designated person.

Cllr Phil Twiss proposed an additional recommendation as follows;

‘That Members having considered the report and how councillors’ roles had changed significantly in recent times, recommend that Government be lobbied by EDDC in relation to DBS checks and that they be mandatory for all district councillors and relevant others. This would be in the view of giving the public confidence in appropriate people representing them and their interests. That EDDC pay for DBS checks and the cost of lobbying Government together with Safeguarding Training for all councillors.’

The recommendation was voted against.

The Portfolio Holder Democracy, Transparency and Communications thanked Henry Gordon Lennox for his report. She asked that safeguarding training was looked into and what this could include.

**RECOMMENDED to Cabinet that;**

Members noted the report and agreed that councillors undertake safeguarding training including training on the Council’s safeguarding policy and its operation.

**23 External Audit Progress report - Grant Thornton**

Beth Garner from Grant Thornton provided an update on the progress in delivering their responsibilities as the council’s external auditors.

Having received the report and noted the contents, members;

**RECOMMENDED:**

To note the External Audit Progress report.

**24 Risk Review Summer 2021 - Part 2**

Risk information for the 2021/22 financial year was supplied to allow the Committee to monitor the risk status of Strategic and Operational Risks. This followed the full review of risks by responsible officers during May/June 2021.

Having received the report and noted the contents, members;

**RECOMMENDED:**

To note the current status of risks following the full risk review undertaken in May/June 2021.

**25 Referral from Cabinet - Seaton Jurassic**

Alastair Woodland from SWAP explained that an audit report could be undertaken early next year concerning value for money on the Jurassic Centre; to include lessons learnt, what was done and what improvements could be done in the future.

From the Chair it was recommended that SWAP be asked to add this matter to their 2022/23 audit plan and ask Scrutiny Committee to look into this matter under their own terms of reference.

**26 Audit and Governance Forward Plan**

Members noted the contents of the Committee Forward Plan for 2021/22.

Items to be considered at the January committee included:

- Internal Audit Activity – Quarter 3 2021/22
- Audit Findings Report
- Audit Committee Progress 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 and policy review
- Update report from Service Lead Housing on SWAP Limited Assurance report

### **Attendance List**

#### **Councillors present:**

S Hawkins (Chair)  
D Barrow  
S Gazzard  
P Hayward  
N Hookway (Vice-Chair)  
P Twiss

#### **Councillor apologies:**

J Kemp  
G Pook

#### **Councillors also present (for some or all the meeting)**

P Arnott  
C Brown  
S Jackson  
P Millar  
A Moulding

#### **Officers in attendance:**

Amanda Coombes, Democratic Services Officer  
Simon Davey, Strategic Lead Finance  
Beth AC Garner, Grant Thornton  
John Golding, Strategic Lead Housing, Health and Environment  
Henry Gordon Lennox, Strategic Lead Governance and Licensing (and Monitoring Officer)  
Jackson Murray, Grant Thornton  
John Symes, Finance Manager  
Alastair Woodland, SWAP

Chair .....

Date: .....



Report to: Audit and Governance Committee

Date of Meeting 16 March 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

## Internal Audit Plan Progress March 2022 (2021/22)

### Report summary:

This report is to provide an update on the 2021/22 Internal Audit Plan as at 3 March 2022.

### Recommendation:

Members are asked to note progress made in delivery of the 2021/22 internal audit plan and findings Reported.

### Reason for recommendation:

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

Officer: Alastair Woodland, Assistant Director, SWAP.

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Portfolio(s) (check which apply):

- ☐ Climate Action
- ☐ Coast, Country and Environment
- ☐ Corporate Services and COVID-19 Response and Recovery
- ☐ Democracy and Transparency
- ☐ Economy and Assets
- ☒ Finance
- ☐ Policy Co-ordination and Regional Engagement
- ☐ 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** [Internal Audit Plan 2021/22](#)

[Internal Audit Plan Progress Update September 2021](#)

[Internal Audit Plan Progress Update January 2022](#)

**Link to [Council Plan](#):**

Priorities (check which apply)

- ☐ Better homes and communities for all
- ☐ A greener East Devon
- ☒ A resilient economy

# East Devon District Council

## Report of Internal Audit Activity

Plan Progress 2021/22 March 2022

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## The contacts at SWAP in connection with this report are:

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## Internal Audit Plan Progress 2021-22

### 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 SWAP Internal Audit Services (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 March 2021 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 Senior Management Team in March 2021 following a consultation exercise. The 2021-22 Audit Plan was reported to the Audit and Governance Committee and approved at its meeting in March 2021. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk within East Devon District Council.

## Internal Audit Plan Progress 2021-22

### 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 2021-22. 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 2021/22 Plan:

Audit Area	Opinion
Annual Vehicle Declarations and Compliance	Limited
Small Works and Contracts	Limited
Risk Management	Reasonable
<b>New:</b> Integrated Housing Management Contract – Follow up	Follow Up
<b>New:</b> Firmstep follow up	Follow Up

## Internal Audit Plan Progress 2021-22

### 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

#### **Annual Vehicle Declarations and Compliance– Limited Assurance – January 2022**

The objective of this audit was:

*To confirm that white fleet drivers are adhering with the Annual Vehicle Declaration and that the Council is monitoring compliance. To establish progress made and review the plans in place on the electrification of the fleet.*

Key findings identified from our testing include:

- Streetscene staff are working hard to manage the white vehicle fleet which includes the electrification of the fleet and associated infrastructure. There is, however, no dedicated Fleet Manager. This role is covered by the Streetscene Budget and Equipment Monitoring Officer who has a significant workload and, therefore, does not have the capacity to complete all the tasks required.
- The MobileApp, if being used correctly, enables Managers to view where staff are working and the journeys they make. However not all staff use the App consistently, and little monitoring is undertaken to ensure that staff are only using their vehicles for eligible journeys.
- Since the pandemic, although inductions have been undertaken and included the Safe Systems of Work for Drivers, there have been no records held to record attendance at the staff induction. Although we understand the reason for this, it is important that records of attendance are held for all future new starters. We also identified one new starter who had not completed an Annual Vehicle Declaration and was not on the list for following up.

Four priority-2 actions have been agreed with management with implementation dates to be completed no later than March 2022.

## Internal Audit Plan Progress 2021-22

### 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



### Summary of Work Completed – Limited or No Assurance Opinions

#### **Small Works and Service Contracts Management – Limited Assurance – January 2022**

The objective of this audit was:

*To provide assurance that the Council has appropriate systems in place to ensure contracts are monitored and managed in an effective manner and in accordance with its own rules.*

Key findings identified from our testing include:

- We were unable to fully establish which contracts are currently in place as the Council does not maintain a contract register. Details of contracts tendered via the Procontract portal are available but does not currently show all contracts. The Council also does not publish all the details of the contracts as required by the Transparency Code. (P1 action agreed with an implementation date of March 2022)
- The Contract Standing Orders contain a paragraph on Contract Monitoring. However, this could be strengthened by classifying contracts according to the Model Services Contract Guidance produced by the Cabinet Office. (P2 action agreed with an implementation date of March 2022)
- Without clear guidance or training for contract managers the approach taken is at the discretion of the manager based on their experience. Identifying minimum corporate expectations on risk would be beneficial. (P2 action agreed with an implementation date of March 2022)
- Minor Works Agreements were not always completed properly with a lack of awareness on which clauses should apply. Training and/or guidance should be provided to those officers. (P3 action agreed with an implementation date of June 2022)

Without a contracts register in place it was difficult to identify all contracts being used at the Council and as a result this limited some of our testing.

## Internal Audit Plan Progress 2021-22

### 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



### Summary of Work Completed – Follow up Audits

#### Firmstep follow up – February 2022

The original audit of Firmstep was completed in May 2021 and received a Limited assurance opinion. The original audit objective was to establish whether the roll out of Firmstep was meeting its objectives and achieving the benefits agreed. During the original audit we sought to review: project management arrangements; the benefits Firmstep was intended to deliver and how these would be realised; post implementation reviews and analysis of benefits against the PID; and the provision of guidance and training to officers. A summary of progress made against the original recommendation is shown in the table below:

Follow Up Progress Summary				
Priority	Complete	In Progress	Not Started	Summary
Priority 1	0	0	0	0
Priority 2	0	1	4	5
Priority 3	0	0	0	0
Total	0	1	4	5

The action in progress related to Project Management which includes the recruitment of a Projects Officer (Digital Transformation) who will be in post by the end of the financial year. A revised target date has been set for 31 March 2022.

At point of our review the following actions in the following areas are yet to commence.

- Monitoring and measuring of benefits
- Post implementation reviews
- Training and guidance
- Project reporting and monitoring

These actions are contingent on the appointment of the Project Officer and a revised implementation date of July 2022 has been agreed.

## Internal Audit Plan Progress 2021-22

### 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



### Summary of Work Completed – Follow up Audits

#### Integrated Asset Management Contract Follow up – February 2022

The original audit of the Integrated Asset Management Contract was completed in July 2021. The original audit objective was to confirm there were appropriate governance and relationship management arrangements in place. Weaknesses identified during the original review included: core group arrangements; dispute resolution; partnership relationships; contract variations; key performance indicators; risk management; business continuity; servicing/cyclical maintenance; and the recharge policy for damage clearance and cleaning. Following testing we gave a Limited assurance opinion. Summary of progress on the recommendations made in the original review are shown below:

Follow Up Progress Summary				
Priority	Complete	In Progress	Not Started	Summary
Priority 1	0	0	0	0
Priority 2	3	3	0	6
Priority 3	3	0	0	3
Total	6	3	0	9

Outstanding areas for implementation are:

- the Core Group have not yet agreed the Business Continuity Plan but will shortly do so during their meeting on the 25/01/22.
- the Council is working with Ian Williams to produce a monthly finance report for review at Operational Meetings. A summary will then go to the Core Group. This is work in progress. The intention is for a report to be in place for the next Core Group meeting, when the content can be agreed.
- An Actions/Issues Log has been produced. The Majority of Action Points have been addressed, however some need to be tabled and ratified by Core Group and others remain work in progress. The intention is to have all issues addressed by the May 2022 Core Group.

A revised target date for the outstanding actions has been agreed for May 2022.

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 2021/22 (as of 1 March 2022) were as follows:

Performance Target	Target Year End	Average Performance
<b><u>Audit Plan – Percentage Progress</u></b> Final, Draft and Discussion In progress Not Started	>90%	81% 19% 0%
<b><u>Quality of Audit Work</u></b> Customer Satisfaction Questionnaire	>95%	100%
<b><u>Outcomes from Audit Work</u></b> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%	Year end

## Internal Audit Plan Progress 2021-22

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



### Approved Changes to the Plan

The audit plan for 2021/22 is detailed in **Appendix B**. The Audit Plan remains flexible to changes in priorities and emerging risks. A number of 'Additions' to the Internal Audit Plan were reported to the Audit Committee in September. Since September, in consultation with the Section 151 Officer and Senior Leadership Team, the audits that need to be deferred have now been agreed to accommodate these additional audits. Items that have been deferred will be carried in the rolling plan for inclusion in 2022-23.

The table below shows the changes to the plan since the previous update:

Original Audit Plan	Revised Audit Plan
Housing Rents	Deferred to Q1 due to year-end pressure.
Housing Compliance – Asbestos	<b>New:</b> Omicron Spotlight checks
Economic Resilience	<b>New:</b> Seaton Jurassic Centre – Lessons Learnt
Restart Grants Post Payment Assurance CIA	<b>New:</b> ARG4 Spotlight checks
Debtors	<b>New:</b> Housing Payments Process
Council Tax Support/Housing Benefit	<b>New:</b> Resilience Fund Grant Spotlight

## Internal Audit Plan Progress 2021-22

### Assurance Definitions

<b>No</b>	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.
<b>Limited</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	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.
<b>Non-Opinion/Advisory</b>	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

<b>Risk</b>	<b>Reporting Implications</b>
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	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:

<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	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									
Assurance	Payroll	1	Final	Substantial	0	0	0	0	
Assurance	Health and Wellbeing	1	Final	Reasonable	4	0	2	2	
Follow up	S106/CIL	1	Final	Follow up	0	0	0	0	All actions are completed
Advisory	<b>New:</b> Spotlight Checking – Restart Grants	1	Final	Advisory	0	0	0	0	
Assurance	LED	1	Final	Reasonable	5	0	2	3	
Advisory	Fraud Risk Assessment	1	Final	Advisory	0	0	0	0	
Assurance	Corporate H&S – Revised Working arrangements	2	Final	Reasonable	3	0	1	2	
Assurance	<b>New:</b> Election Financing	2	Final	Reasonable	3	0	1	2	
Assurance	<b>New:</b> Annual Leave	2	Final	Advisory	2	0	2	0	
Survey	<b>New:</b> Remote meetings - Benchmarking	2	Final	Advisory	0	0	0	0	
Assurance	<b>New:</b> DWP Referral	3	Final	Advisory	0	0	0	0	

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# Summary of Work Plan

# Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Assurance	Annual Vehicle Declarations and Compliance	2	Final	Limited	4	-	4	-	Previously listed as Fleet Management. Report on members portal for information
Assurance	Small Works and Contracts	2	Final	Limited	4	1	2	1	
Assurance	Risk Management	2	Final	Reasonable	5	-	4	1	Report on members portal for information
Assurance	Integrated Housing Management Contract – Follow up	4	Final	Follow up	3	-	3	-	3 Priority-2 and 3 Priority-3 recommendations now complete.
Assurance	Firmstep follow up	4	Final	Follow up	5	-	1	4	No recommendations complete.
<b>DRAFT</b>									
Assurance	Post-Payment Assurance for Grant Schemes	2	Draft						
Assurance	Homelessness	3	Draft						
Assurance	Workforce Planning	3	Draft						
Assurance	Housing Payments	3	Draft						
Assurance	<b>New:</b> Whistleblowing	3	Draft						

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# Summary of Work Plan

# Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
IN PROGRESS									
Assurance	ICT Assurance	3	In Progress						
Advisory	<b>New:</b> Resilience Fund Grant Spotlight Checks	3	In Progress						Management Requested piece of work.
Advisory	<b>New:</b> ARG4 Spotlight checks	4	In Progress						
Advisory	<b>New:</b> Omicron Spotlight checks	4	In Progress						
Advisory	<b>New:</b> Seaton Jurassic Centre – Lessons Learnt	4	Scoping						
NOT STARTED									
All planned audits are in progress or at report stage.									
Deferred to 2022-23 Audit Plan									
Assurance	Financial Planning (MFTP)	2	Not started	On rolling audit plan for 2022-23					
Assurance	Play Schemes/Areas	3	Not started	On rolling audit plan for 2022-23					
Assurance	Main Accounting	3		On rolling audit plan for 2022-23 – earmarked for q2					

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## Summary of Work Plan

## Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Assurance	Decision Making	3		On rolling audit plan for 2022-23					
Assurance	Disabilities Facilities Grants (DFG)	4		On rolling audit plan for 2022-23					
Assurance	Climate Change	4		On rolling audit plan for 2022-23 – earmarked for q1					
Assurance	Housing Rents	4		Proposed for 2022/23 audit plan					
Assurance	Housing Compliance – Asbestos	4		Proposed for 2022/23 audit plan					
Assurance	Economic Resilience	4		Proposed for 2022/23 audit plan					
Assurance	<b>New:</b> Restart Grants Post Payment Assurance CIA	4		Proposed for 2022/23 audit plan					
Assurance	Debtors	3		Proposed for 2022/23 audit plan					
Assurance	Council Tax Support/Housing Benefit	3		Proposed for 2022/23 audit plan					

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Report to: Audit and Governance Committee

Date of Meeting 16 March 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



## 2022/23 Internal Audit Plan and Charter - March 2022

### Report summary:

The Internal Audit function plays a central role in corporate governance by providing assurance to the Annual Audit, Governance and Standards Committee, looking over financial controls and checking on the probity of the organisation.

The 2022-23 Annual Audit Plan provided independent and objective assurance on EDDC governance, risk and internal control environment. This work supports the Annual Governance Statement.

### Recommendation:

1. Members are requested to approve the Internal Audit Plan for 2022/23
2. Members are requested to approve the Internal Audit Charter.

### Reason for recommendation:

It is a requirement that the Audit and Governance Committee approves the annual audit plan.

Officer: Alastair Woodland, Assistant Director, SWAP.

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Portfolio(s) (check which apply):

- ☐ Climate Action
- ☐ Coast, Country and Environment
- ☐ Corporate Services and COVID-19 Response and Recovery
- ☐ Democracy and Transparency
- ☐ Economy and Assets
- ☒ Finance
- ☐ Policy Co-ordination and Regional Engagement
- ☐ 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** N/A

**Link to [Council Plan:](#)**

Priorities (check which apply)

- ☐ Better homes and communities for all
- ☐ A greener East Devon
- ☒ A resilient economy

# East Devon District Council

## Proposed 2022-23 Internal Audit Plan and Internal Audit Charter

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# 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 2022/23 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 of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement (AGS).

It is the responsibility of the Authority's Senior Management Team and the Audit and Governance 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.

## 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. This year, we have also engaged discussions with lead officers on the Unitary Transition Process to ensure suitable assurances are included within the Audit Plan.

### Approach to Internal Audit Planning 2022/23

The factors considered in putting together the 2022/23 internal audit plan have been set out below:



Our approach to delivering your internal audit plan will remain flexible to respond to new and emerging risks. We will adopt an 'agile rolling plan' approach and whilst this will be a 'live' continuous approach, confirmed work will only cover every 6 months with a rolling 'back-log' for future consideration. Priorities will be assessed in conjunction with Senior Management. Members of the Audit and Governance Committee are welcome to share thoughts of priorities areas for Assurance work.

# 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.

## Internal Audit Annual Risk Assessment

Our 2022/23 internal audit programme of work is based on a documented risk assessment, which SWAP will re-visit regularly. The risk assessment includes coverage against EDDC Corporate/Operational Risks and Priorities and the wider SWAP top 10 risk themes and Healthy Organisation areas. Below we have set out a summary of the outcomes of the risk assessment for East Devon District Council:



## The Internal Audit Plan: Risk Assessment

Following our SWAP Risk Assessment above, we have set out how the proposed 2022/23 quarter 1 plan presented in Appendix A provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance and should be considered in this context.

### Internal Audit Coverage in 2022/23

Our aim is to produce an agile, risk-assessed work plan, containing key areas of coverage. We already maintain a rolling plan that is continually updated as new areas of work are agreed. New audits are risk assessed and added to the rolling plan meaning lower risk audits roll back to be delivered at a point in the future. The rolling plan will be the basis of each six-monthly review, with audits agreed with Senior Management according to risk.

The quarterly planning approach means that the 2022/23 audit plan is flexible to respond to new and emerging risks as and when they are identified. We have set out the proposed quarter 1 and 2 plan in **Appendix A** and the current rolling plan in **Appendix B**. The proposed quarter 1 and 2 plan is substantially made up of reviews pushed back from the 2021-22 audit plan where we had to accommodate new and emerging priority areas of risk.

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.

# The Internal Audit Plan: SWAP

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 25 public sector partners, 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

### 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. An annual self-assessment process confirms ongoing compliance.

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

### Internal Audit Charter

The nature, role, responsibility, status and authority of internal auditing within East Devon District Council and an outline of the scope of internal audit work is provided in the Charter at **Appendix C**.

## The Internal Audit Plan: Approach

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 significant risks identified across the SWAP partnership
- Communication of fraud alerts received both regionally and nationally
- Member training sessions

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

## Quarter 1 & 2

Audit Area to Deliver In Plan	Agreed Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk (CR) / Operational Risk (OR)
Annual Vehicle Declarations and Compliance Follow Up Audit	1	-	Corporate Governance	(OR) Failure to Maintain a clean and safe environment – fleet, machinery, plant and play equipment.
Baseline Assessment for Maturity of Fraud Risk	1	-	Corporate Governance	(OR) Fraud, theft and/or irregularity of financial resources
Disability Facility Grants and Better Care	1	Better Homes and Communities	Financial Management	(OR) Fraud, theft and/or irregularity of financial resources
Housing Compliance - Asbestos	1	Better Homes and Communities	People & Asset Management	(OR) Failure to satisfy a compliance requirement
Housing Rents	1	-	Financial Management	(CR) Adequacy of financial resource planning to deliver the Council's priorities. (OR) Failure to collect all income due to the council - council tax, business rates, rent, fines & Sundry (OR) Loss of Rental Income
Restart Grants - Post-assurance	1	-	Financial Management	(OR) Fraud, theft and/or irregularity of financial resources
Council Tax Support Scheme	2	-	Financial Management	-
Small Works and Services Contract Management – Follow Up Audit	2	-	Procurement and/or Contract Management	-
Climate Change Strategy	2	A greener East Devon	Programme & Project Management	-
Main Accounting Including Budget Monitoring	2	-	Financial Management	(CR) Adequacy of financial resource planning to deliver the Council's priorities
Debtors/Debt Management	2	-	Financial Management	(CR) Adequacy of financial resource planning to deliver the Council's priorities (OR) Failure to collect all income due to the council - council tax, business rates, rent, fines & Sundry

Audit Area to Deliver In Plan	Agreed Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk (CR) / Operational Risk (OR)
Economic Resilience	2	A resilient economy	Financial Management	(OR) Ambitions for economic growth on the Council Plan are not met

In addition to the programme of Audits, time will also be used to provide support in the following area across quarters 1 to 4 during 2022-23

Advice & Support	<ul style="list-style-type: none"> <li>• Committee Attendance &amp; Reporting</li> <li>• Head of Audit Role/planning</li> <li>• Recommendation Tracking Framework and dashboard</li> <li>• Assurance Mapping</li> <li>• Member training</li> <li>• Fraud bulletins and News round-up</li> </ul>
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These reviews form part of our rolling plan for 2022/23. The plan will continue to be added to as the year progresses to reflect current organisational risks and issues. In September a risk assessment will be undertaken to determine the priority areas to include for the remaining six months of 2022-23.

Potential Audit Areas	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk (CR) / Operational Risk (OR)
Decision Making	-	Corporate Governance	(CR) Retaining and strengthen a collective approach to decision making
Corporate Property Health and Safety	-	People & Asset Management	(CR) Failure to ensure that our corporate property portfolio is fully compliant with legal requirements
Financial Planning (MTFP)	-	Financial Management	(CR) Adequacy of financial resource planning to deliver the Council's priorities
Voluntary Sector Engagement	Better Homes and Communities for all	Procurement and/or Contract Management	(OR) Failure to ensure community engagement
Supply Chains and Third-Party Risk	-	Procurement and/or Contract Management	(OR) Business failure of a major contractor or significant partner
Related Party Disclosures	-	Corporate Governance	-
Health and Safety at Work	-	Corporate Governance	(OR) Safety of staff using dangerous equipment
Council's Response to energy crisis	-	Financial Management	-
Play Schemes/Areas	Better Homes and Communities for all	People & Asset Management	(OR) Failure to maintain a clean and safe environment - fleet, machinery, plant and play equipment
Information Management	-	Information Management	(OR) Failure to process information in accordance with FOI and Data Protection legislation
Firmstep Implementation	-	Programme & Project Management	
Flood Management	A greener East Devon	Performance Management	(OR) Failure to ensure adequate sea defences and flood alleviation schemes
Partnership Arrangements	-	Procurement and/or Contract Management	(OR) Business failure of a major contractor or significant partner

Potential Audit Areas	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk (CR) / Operational Risk (OR)
Complaints Arrangements	-	Corporate Governance	(OR) Perceived reputation of the service by local community causes preventable demand through complaints
FOI & Environmental Information Regulations	-	Information Management	(OR) Failure to process information in accordance with FOI and Data Protection legislation
Recruitment and on-boarding	-	People & Asset Management	(OR) Employee screening
Emergency Planning	-	Corporate Governance	-
Home Safeguard	Better homes and communities for all	Information Management	(OR) Home Safeguard system failure
Regeneration Projects	Better homes and communities for all	Programme & Project Management	(OR) Failure to successfully deliver major projects, key regeneration and property development
Ethical Governance	-	Corporate Governance	(OR) Failure of members to observe their Code of Conduct. (OR) Failure to comply with constitutional and legal requirements. (OR) Failure to support ethical governance and standards within the council and parish councils.
Public Health	Better homes and communities for all	Corporate Governance	(OR) Failure to carry out public health duties and powers effectively.
Asset Management Strategy and Planning	Better homes and communities for all	People & Asset Management	-
Beach/coast Management	Better homes and communities for all	People & Asset Management	(OR) Failure to ensure adequate sea defences and flood alleviation schemes. (OR) Failure of structure, cliff or coastal defence.
Car Parking	-	Information Management	(OR) Car parks' revenue budgets are dependent upon visitor income.
Apprenticeships	-	People & Asset Management	(OR) workforce planning and development
Streetscene	Better homes and communities for all	People & Asset Management	(OR) Failure to maintain Street Scene Assets

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Potential Audit Areas	Link to Corporate Outcome	Healthy Organisation Theme	Link to Corporate Risk (CR) / Operational Risk (OR)
IR35	-	People & Asset Management	-
VAT	-	Financial Management	-
Waste and Recycling Services	-	Procurement and/or Contract Management	(OR) The continuity of the recycling and waste service (OR) Market forces affecting price per tonne for recycle, reducing income
LG Transparency Code	-	Corporate Governance	-
Absence Management	-	People & Asset Management	(OR) Absence Management
Risk Management	-	Risk Management	
Workplace Culture - Discrimination & Staff Inequality	-	People & Asset Management	-
Empty Homes	Better homes and communities for all	Financial Management	-
Environmental Protection	Better homes and communities for all	Performance Management	(OR) Failure to carry out public health duties and powers effectively
Performance Management and Data Quality	-	Performance Management	(OR) Perceived reputation of the service by local community causes preventable demand through complaints
Community Safety	Better homes and communities for all	Performance Management	(OR) Failure to meet a specific legal or ethical obligation upon EDDC
Major Projects	-	Programme & Project Management	(OR) Failure to successfully deliver major projects, key regeneration and property development

### **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 is based on the previously approved Charter that was last reviewed by East Devon District Council's Audit and Governance Committee<sup>1</sup> in 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 Committee and of Internal Audit**

#### **Management<sup>2</sup>**

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 and Governance 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.

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<sup>2</sup> In this instance Management refers to the Senior Management Team and Statutory Officers.

### **Audit and Governance Committee<sup>3</sup>**

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<sup>4</sup>) 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.

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<sup>3</sup> In this instance Audit and Governance Committee relates to "The Board" referred to in the PSIAS

<sup>4</sup> PSIAS refers to the 'chief audit executive'.

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

### Planning and Reporting

SWAP will submit an internal audit plan to Management and the Audit 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 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 2022

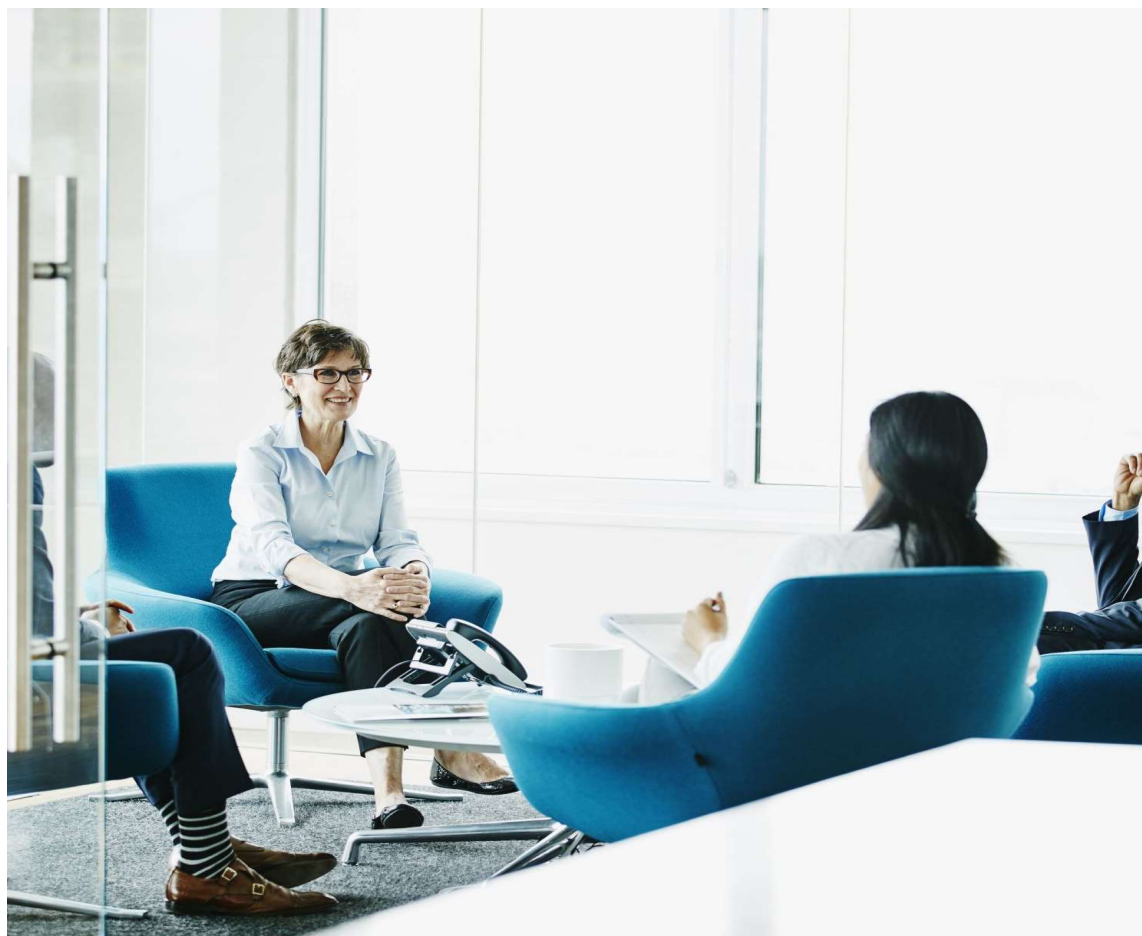
# The Audit Findings for East Devon District Council

**Year ended 31 March 2021**

East Devon District Council

16 March 2022

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# Contents



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## Section

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

This Audit Findings 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. Its contents have been discussed with management.

### Jackson Murray

For Grant Thornton UK LLP

Date : March 2022

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of East Devon district Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

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## 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 its 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 on remotely during November-March and continues. Our findings are summarised on pages 5 to 22. We have identified 2 adjustments to the financial statements that have resulted in a £Nil net adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also 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 is ongoing and there are no matters of which we are aware that would require modification of our audit opinion [Appendix E] or material changes to the financial statements, subject to the following outstanding matters;

- Testing of: journal entries, management's going concern assumption, the movement in reserves note, REFCUS, Land & Building Revaluations, Investment properties, council dwellings, debtors, Cash equivalents, creditors, pension liability, grant income, completeness of income, housing benefit expenditure, expenditure, completeness of expenditure, financial instruments, remuneration disclosures, income and expenditure disclosures, capital expenditure and financing, collection fund, and housing revenue account;
- concluding procedures
- final manager and engagement leader review of audit work and satisfactory response to any points raised;
- receipt of signed management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report within three months of the date of the opinion. This is in line with the National Audit Office's revised deadline.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of the council's Governance arrangements in responding to findings from Health and Safety survey. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

## 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 ascribed 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 expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in June 2022, and the completion of our work in respect of Whole of Government Accounts (WGA). At the time of writing, the auditor guidance for 2020/21 WGA has yet to have been issued and management have yet to receive the nationally produced data collection tool.

## Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

## 2. Financial Statements

### 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 auditor 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.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Governance Committee meeting on 15 March 2022 as detailed in Appendix E. These outstanding items are listed on page 3.

#### Acknowledgements

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

As highlighted on page 3 of our audit plan presented to the Audit & Governance Committee in July 2021, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as, remote accessing financial systems, video calling, physical verification of assets and verifying the completeness and accuracy of information provided remotely produced by the entity.

This resulted in us having to carry out additional audit procedures, to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

**Jackson Murray**

For Grant Thornton UK LLP

Date : March 2022

## 2. Financial Statements



### 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 in July 2021

We detail in the table to the right our determination of materiality East Devon District Council

### Council Amount (£) Qualitative factors considered

Materiality for the financial statements	1,800,000	The Council operates in a stable, publicly funded environment.
Performance materiality	1,350,000	Set at 75% of materiality, limited significant findings in previous periods.
Trivial matters	90,000	Level set for reporting errors or omissions to TCWG.
Materiality for Senior Officer remuneration	20,000	Public sensitivity in the pay of senior officers in the public sector.



## 2. Financial Statements - Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

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 identified that a number of finance officers had administrator privileges within the finance system, and as such amended our planned audit approach to review the journals posted by these individuals in detail as we would not necessarily expect this level of access.

At the time of writing our work in this area is still underway as we await documentation for our full sample of journals. To date we have not identified any instances of management override of controls.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### 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.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition

We rebutted the risk at the planning stage of our audit. No circumstances arose that indicated we would need to reconsider this judgement.

#### Valuation of land and buildings, including Investment Properties and Council Dwellings

The Council revalues its land and buildings on a rolling five-yearly basis at 31 December each year. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£88m at 31 March 2021) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

The Council revalues its housing stock (£248m at 31 March 2021) at 31 March each year, using the Beacon Methodology as required by the Code. Investment Properties (£3m at 31 March 2021) are also valued at fair value annually at 31 March.

We therefore identified valuation of land and buildings, including investment properties and Council Dwellings, as a significant risk.

We have:

- 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

At the time of drafting the report, work is ongoing in this area as we await evidence on key assumptions for our sampled assets.

To date we have not identified any issues in our testing.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£84m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority'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. The council also made a prepayment to the pension fund in relation to its deficit contributions. Our review of this has identified this has not been treated correctly. Our work in this area is still ongoing and to date no other issues were identified from our testing.

## 2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>Recognition and Presentation of Grant Income</b></p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income</p>	<p>The Council prepared a working paper setting out their consideration of each grant received and its judgements on its basis for accounting. As part of our work we have considered:</p> <ul style="list-style-type: none"> <li>• whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all;</li> <li>• the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income;</li> <li>• the Impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the Comprehensive Income and Expenditure Statement (CIES); and</li> <li>• the adequacy of disclosure of judgements in the financial statements.</li> </ul>	<p>We reviewed the Council's assessment of whether it was acting as a principal or agent and concluded that their assessment and judgements were reasonable, however in accounting for grants, the Council had incorrectly included £67m of Covid-19 grants they had designated on an agency basis in the CIES on a gross basis. While the net position on the CIES was correct, the Council's gross expenditure and gross income were both overstated by this amount.</p>
<p><b>Prior period adjustment between short term investments &amp; cash Equivalents</b></p>	<p>During the year, the Council identified an error in the classification of some of its fixed term loans as cash and cash equivalents on the balance sheet in the current year and in 2019/2020. This means that cash and cash equivalents were overstated by £2m in 2019/20 and short term investments were understated by the same amount.</p>	<p>The Council has amended for this in the prior period in accordance with IAS 8 and have produced an additional disclosure note and disclosed a prior period adjustments accounting policy.</p>

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £88m	<p>Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged an internal valuer to complete the valuation of properties as at 31 December 2020 on a five yearly cyclical basis. 84% of total assets were revalued during 2020/21.</p> <p>Management has considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 December 2020 and those valued in earlier years, based on the market review provided by the valuer as at 31 March 2021, 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.</p> <p>The total year end valuation of land and buildings was £88m, a net decrease of £3m from 2019/20 (£91m).</p> <p>The Council also has £2.3m of community assets, which are valued at fair value.</p>	<p>We have assessed the Council's valuer to be competent, capable and objective.</p> <p>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.</p> <p>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.</p> <p>We have agreed the valuation report to the Fixed Asset Register and to the Statement of Accounts.</p> <p>We are currently awaiting evidence to support the significant assumptions used in valuations. Our work to date has not identified any issues.</p>	In progress

### Assessment

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

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £248m	<p>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.</p> <p>The Council has engaged the District Valuer to complete the valuation of properties as at 31 March 2021 on a five yearly cyclical basis. All assets were revalued during 2020/21.</p> <p>The total year end valuation of land and buildings was £247.8m, a net increase of £12m from 2019/20 (£235.8m).</p>	<p>We have assessed the Council's valuer to be competent, capable and objective.</p> <p>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.</p> <p>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.</p> <p>We have agreed the valuation report to the Fixed Asset Register and to the Statement of Accounts.</p> <p>Our testing is currently underway. To date we have not identified any issues in relation to the valuation of council dwellings in comparison to market data.</p>	In progress

### Assessment

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

## 2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment properties - £3m	<p>The Council's Investment property was purchased in the prior year and revalued at 31 March 2021 in accordance with the Code requirements.</p> <p>The Council has engaged an internal valuer to complete the valuation of it's investment property.</p> <p>The total year end valuation of the investment property was £2.965m, a net decrease of £0.035m from 2019/20 (£3m).</p>	<p>We have assessed the Council's valuer to be competent, capable and objective.</p> <p>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.</p> <p>We reviewed the valuations 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.</p> <p>We have agreed the valuation report to the Fixed Asset Register and to the Statement of Accounts.</p> <p>To date we have identified one issue with the valuation of investment properties. We identified that the council has revalued it's property as at 31 December 2020. In order to comply with the requirements of the CIPFA code, the property should be revalued annually at the balance sheet date (i.e. 31 March). We have raised a recommendation in Appendix A that this is actioned moving forwards. No other issues have been identified to date.</p>	In progress

### Assessment

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## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Net pension liability – £84m</b>	<p>The Council's net pension liability at 31 March 2021 is £84m (PY £63.4m). The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>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.</p> <p>There has been a £40m net actuarial loss during 2020/21.</p>	<p>We have assessed the Council's actuary, Barnett Waddingham LLP, to be competent, capable and objective.</p> <p>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.</p> <p>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:</p> <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>2%</td><td>1.95% - 2.05%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.8%</td><td>2.85% - 2.8%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>3.8%</td><td>3.85% - 3.8%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>24.4 / 23.0</td><td>21.8 – 24.7 / 20.5 – 23.1</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25.6 / 24.1</td><td>25.2 -26.7 / 23.2 – 24.9</td><td>●</td></tr> </table> <p>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.</p> <p>To date we have identified one error with the council's treatment of it's prepayment of pension contributions and a number of classification errors which have been amended. More detail is included in Appendix C.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2%	1.95% - 2.05%	●	Pension increase rate	2.8%	2.85% - 2.8%	●	Salary growth	3.8%	3.85% - 3.8%	●	Life expectancy – Males currently aged 45 / 65	24.4 / 23.0	21.8 – 24.7 / 20.5 – 23.1	●	Life expectancy – Females currently aged 45 / 65	25.6 / 24.1	25.2 -26.7 / 23.2 – 24.9	●	In progress
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2%	1.95% - 2.05%	●																								
Pension increase rate	2.8%	2.85% - 2.8%	●																								
Salary growth	3.8%	3.85% - 3.8%	●																								
Life expectancy – Males currently aged 45 / 65	24.4 / 23.0	21.8 – 24.7 / 20.5 – 23.1	●																								
Life expectancy – Females currently aged 45 / 65	25.6 / 24.1	25.2 -26.7 / 23.2 – 24.9	●																								

### Assessment

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- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

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Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (MRP) - £0.156m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £156k, a net increase of £101k from 2019/20.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>considered whether the MRP has been calculated in line with the statutory guidance;</li> <li>considered whether the Council's policy on MRP complies with statutory guidance; and</li> <li>considered the reasonableness of the movement in MRP charge.</li> </ul> <p><b>Findings</b></p> <p>We identified that management's MRP policy is in line with statutory guidance, but that the method of calculation used was not the same as that stated in their policy. Management were using the CFR method to calculate MRP and this is only allowable for capital expenditure incurred before 2008.</p> <p>We also identified that there was no MRP charge calculated on the council's capital loans, which in our view require an MRP charge in accordance with the statutory provisions.</p> <p>Our work in this area is still underway and we are determining the impact of amendments to the MRP calculation.</p>	In progress

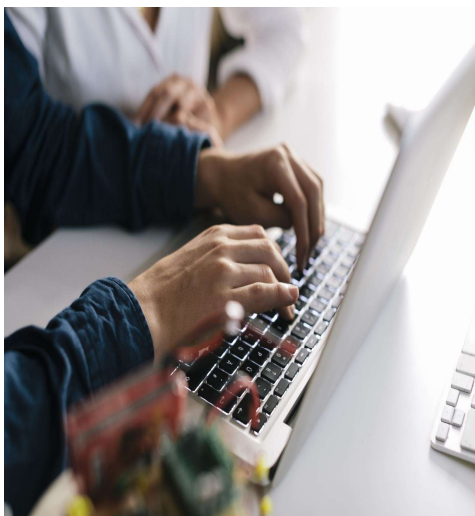
### Assessment

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- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - other communication requirements

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	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Governance 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, including specific representations in respect of the Council's Prior Period Adjustment, which is included on the Committee's agenda.
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to entities where the Council has cash, investment and borrowing balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</p> <p>We requested management to send letters to those solicitors who worked with the Council during the year. We have received responses from both.</p>
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.



## 2. Financial Statements - other communication requirements



### 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).

Issue	Commentary
Going concern	<p data-bbox="871 464 2051 603">In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="871 619 2011 671">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="871 687 2074 983" style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p data-bbox="871 999 2051 1137">Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="871 1153 2018 1297" style="list-style-type: none"> <li>• the nature of the Council and the environment in which it operates;</li> <li>• the Council's financial reporting framework;</li> <li>• the Council's system of internal control for identifying events or conditions relevant to going concern; and</li> <li>• management's going concern assessment.</li> </ul> <p data-bbox="871 1313 2051 1335">On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="871 1351 2051 1441" style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified; and</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>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 inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit;</li> <li>• if we have applied any of our statutory powers or duties; and/or</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>We are awaiting Group Auditor Instructions to be able to complete our procedures in this area.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of East Devon District Council in the audit report, as detailed in Appendix E, due to the delay in receiving Whole of Government Accounts instructions and our VFM work being incomplete.</p>



# 3. Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- a new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- more extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# 3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report. We expect to issue our Auditor’s Annual Report within three months of the date of our audit opinion. This is in line with the National Audit Office's revised deadline. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below.

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## Risk of significant weakness

## Planned procedures

### Governance – response to findings from Health and Safety survey

In March 2021 the Chief Executive presented the findings of the staff survey to the Scrutiny Committee, which included the impact on staff of a change of political culture and the working environment. There is a risk that appropriate standards in behaviour have an impact on the wider corporate governance framework.

We will:

- consider the response to the survey from officers and members;
- review the Code of Conduct; and
- consider any impact the findings have had on the wider control environment.

To date we have not identified any significant weaknesses in arrangements.

## 4. 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.

page 66 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

### Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# 4. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing capital receipts grant	£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 £5,000 in comparison to the total audit fee proposed at planning of £60,632 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim*	12,400	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 £12,400 in comparison to the total audit fee proposed at planning of £60,632 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
<b>Non-Audit</b>			
Place Analytics	5,000**	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, subject to no errors or additional work. Our work has yet to be finalised on the Council's Housing Benefits Subsidy return for 2020/21.

\*\*The draft fee reported in the audit plan was £6,000. Since then the final fee has been confirmed at £5,000

# Appendices

# A. Action plan – Audit of Financial Statements

We have identified 5 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 2021/22 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
	The council did not publish a notification of why their draft accounts were not available by the 1 August 2021 (the national deadline for production of accounts).	<p>We recommend that in the future, where the council does not meet statutory deadlines, that notices are reported on the council's website setting out the reasons for not meeting the deadlines.</p> <p><b>Management response</b></p> <p>Agreed.</p>
	The council has various finance officers with admin rights. There is a risk that officers with access to finance functions and admin settings may be able to override controls.	<p>We recommend that management undertakes a review of user access rights to ensure admin access is only provided to those who require it.</p> <p><b>Management response</b></p> <p>A review will be conducted for level of access and changed if necessary.</p>
	The council has revalued its investment property as at 31 December 2020. The CIPFA code requires the revaluation of investment properties as at the balance sheet date. There is a risk that the asset valuation could be inappropriate if it continues to be revalued prior to the year end.	<p>We have undertaken an exercise to confirm that there is no indication of a material movement in the investment property valuation between the 31 December 2020 and year end, however, we recommend that moving forward, management ensures they revalue the asset as at 31 March.</p> <p><b>Management response</b></p> <p>Agreed, revaluation will be undertaken as at 31 March.</p>

## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	The council does not have a process in place for the review of all journal postings. There is a risk that inappropriate or incorrect journals could be posted as a result of a lack of review.	<p>We recommend that management considers implementing a review process to identify any incorrect journal postings.</p> <p><b>Management response</b></p> <p>Review of process will be undertaken and changes made where management feel necessary. Consideration of issue will also be considered in implementation of new financial system.</p>
	<p>Our review of the council's depreciation charge identified a number of cases where vehicles, plant &amp; equipment assets had a useful life that was outside of the policy stated in the accounts.</p> <p>Management confirmed that the policy needed updating and that the useful lives of individual assets were correct.</p>	<p>We recommend that management reviews and updates its policy to ensure it appropriately reflects the asset base. We also recommend that management reviews its individual asset lives to ensure they comply with the stated policies and are appropriate for the individual assets.</p> <p><b>Management response</b></p> <p>Policy and individual asset lives will be reviewed.</p>

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## Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

# B. Follow up of prior year recommendations

We identified the following issues in the audit of East Devon Council's 2019/20 financial statements, which resulted in 3 recommendations being reported in our 2019/20 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>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.</p> <p>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.</p>	Previous approach taken due to pandemic. Going forward the usual process is now being followed as per the CIPFA Code.
✓	<p>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.</p> <p>There is a risk that Council is not adhering to its financial policies and that the financial statements include balances that should no longer be recognised.</p>	Review of historical balances has been performed with actions being agreed for write off.
✓	<p>Best practice reporting in the AGS would include the following items:</p> <ul style="list-style-type: none"> <li>reference to governance arrangements within partnerships and joint working;</li> <li>reference to Code of Practice on Managing the Risk of Fraud and Corruption [CIPFA, 2014]; and</li> <li>reference to role of Head of paid service.</li> </ul> <p>The Council should also include details of its risks and opportunities and non-financial performance in future Narrative Reports.</p>	The Council continues to follow the Code in its production of the AGS and narrative report, taking into account any best practice where relevant.

## Assessment

- ✓ Action completed
- ✗ Not yet addressed

# C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Our testing of the Council's cash equivalents we identified that the balances did not meet the council's own definition of a cash equivalent and should be disclosed as short term investments. The Balance Sheet, Financial Instruments Note and Cash Flow all required updating for the reclassification.	£nil	Dr Short Term Investments £23m Cr Cash Equivalents £23m	£nil
The Council had included £67m of Covid-19 grants they had designated on an agency basis in the CIES on a gross basis. Whilst the net position was correct, the Council's expenditure and income were both overstated in the CIES.	Dr £67m income Cr £67m expenditure	N/A	£nil
Overall impact	£Nil	£Nil	£Nil

# C. 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 omission	Detail	Adjusted?
As a result of the investments re-classification noted on page 27 the council has also adjusted it's prior period balances. The following amounts have been moved from cash equivalents to short term investments: £2m as at 1 April 2019 £4m as at 31 March 2020	In order to comply with the requirements of IAS 8 the council has included a prior period adjustment policy, a prior period adjustment disclosure note and a third balance sheet to reflect the adjustment as at 1 April 2019.	✓
Within Note 34.5 "Pension Reserve", reversal of items relating to retirement benefits in the CIES balance were disclosed as £6,373k however, in IAS19 report it was £6,499k and employer's pension contributions and direct payments to pensions balance £4,043k however, in IAS19 report it was £4,169k. These differences of £126k net off, with no impact on the balance sheet.	We requested that the amounts were updated.	✓
Within Note 19.2 "Transactions Relating to Post Employment Benefits", current service cost balance was £4,999k however, in IAS19 report it was £4,762k and past service cost was £5k however, in IAS19 report it was £242k. These differences of £237k net off, with no impact on the balance sheet.	We requested that the amounts were updated.	✓
General amendments to presentation, grammar, rounding and typographical errors were made in various areas of the accounts.	We brought these to the attention of management, who adjusted most of these errors.	✓
As part of our review of the Expenditure and Funding Analysis, we identified an error in the prior period brought forward values. The Other income and expenditure amount was stated as £8,801k but should be £8,644k.	We brought this to the attention of management, who confirmed that this was an error and confirmed it would be corrected going forward. This is appropriate treatment as the prior period error is not material.	✓

# C. Audit Adjustments

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## Impact of unadjusted misstatements

There were no unadjusted misstatements that impact the primary statements in 2020/21.

## Impact of prior year unadjusted misstatements

There were no unadjusted misstatements that impacted the primary statements in 2019/20.

# D. 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	60,632	TBC*
Total audit fees (excluding VAT)	£60,632	TBC

\*Total fees to be agreed on completion of all accounts and VFM audit procedures.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Housing Benefit	£12,400	TBC
Pooling of Housing Capital Receipts	£5,000	£5,000
Non-Audit Services		
Place Analytics	£5,000	£5,000
Total non-audit fees (excluding VAT)	£22,400	TBC

Total proposed Audit and Non-audit fees of £83,000 reconcile to the financial statements.

# E. Audit opinion

Our audit opinion is included below.

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

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

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of East Devon District Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account, the Collection Fund Statement and 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Chief Finance 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 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Chief Finance Officer with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements' section of this report.

# E. Audit opinion

## Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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 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 the 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 in April 2020 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 '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 matters 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, the other information published together with the financial statements in the Statement of Accounts 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 Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 16, the Authority 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 authority, that officer is the Chief Finance Officer. The Chief Finance 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority'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 Authority will no longer be provided.

# E. Audit opinion

The Audit & Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority'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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Government Act 1972, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012, and the Local Government Act 2003).

- We enquired of senior officers and the Audit & Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Audit & Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, management estimates and judgements and transactions outside the normal course of business.

- Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Chief Finance Officer has in place to prevent and detect fraud;
- journal entry testing, with a focus on large and unusual journals
- challenging assumptions and judgements made by management in its significant accounting estimates including those in respect of the valuation of land and buildings, the valuation of investment property, defined benefit pensions liability valuations and the non-domestic rates provision; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

# E. Audit opinion

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, investment property, defined benefit pensions liability valuations and the non-domestic rates provision.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

## Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

### Responsibilities of the Authority

The Authority 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 Authority'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 Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

# E. Audit opinion

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for East Devon District Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

## Use of our report

This report is made solely to the members of the Authority, 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 Authority'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 Authority and the Authority'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

Date:



Report to: Audit and Governance Committee

Date of Meeting 16 March 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



## Statement of Accounts 2020/21 including Annual Governance Statement

### Report summary:

The Council's Statement of Accounts for 2020/21 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.

Members are asked to note the letter of representation to Grant Thornton in respect of the financial statements for the year ended 31 March 2021.

### Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

### Recommendation:

**To adopt the 2020/21 Statement of Accounts and delegated authority is given to the Chair of Audit & Governance and the Strategic Lead Finance to sign when all matters concluded.**

**That the letter of representation be approved and signed by the Chair of Audit & Governance and the Strategic Lead Finance.**

### 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](mailto:jsymes@eastdevon.gov.uk), 01395 517413

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

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

**Equalities impact** Low Impact

## Climate change Low Impact

**Risk:** Low Risk;

**Links to background information** n/a

**Link to [Council Plan](#)**

Priorities (check which apply)

- ☒ Better homes and communities for all
  - ☒ A greener East Devon
  - ☒ A resilient economy
- 

## Report in full

### 1. Approval of 2020/21 Statement of Accounts

- 1.1 The Accounts, which include the Annual Governance Statement, is available online for members' consideration and approval here: [EDDC Statement of Accounts 2020/21](#).
- 1.2 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.
- 1.3 The unaudited Statement of Accounts 2020/21 were signed off by the Council's S151 Officer and also published on 1 November 2021.
- 1.4 The main highlights of the Financial Statements are included in the Narrative Report by the Strategic Lead Finance starting on page 2 of the accounts.
- 1.5 The narrative report covers the main general fund outturn variances against budget, a position statement of the main reserve held, a summary position with regard to the Housing Revenue Account and also the Capital Programme outturn.
- 1.6 Similarly, the year-end financial outturn position for 2020/21 was reported to Cabinet on the 14 July 2021 ([Link to Outturn report to Cabinet](#)). This position has not changed through the preparation and audit of the accounts.

### 1.7 Changes to the Accounts

- 1.8 As will be reported within this agenda by external audit there have been some minor changes to the draft accounts as published in November 2021. 5 recommendations have been made of low or limited effect on the statements which management will review to action going forward. Some minor corrections to narrative, grammar and improving the explanation within the Accounts have also been made.
- 1.9 Further changes include adjusted misstatements in the following areas:
- 1.10 There is a change to the treatment of the upfront Pension Payment for the secondary contribution (deficit recovery payment). In the draft accounts, this was treated as a prepayment as the payment covered the 3 years of this pension tri-annual valuation. However, in consultation with Grant Thornton, this has been changed to correctly result in a variation between the pension liability on the balance sheet and the associated pension reserve.

- 1.11 A change has been made regarding the presentation of the payment and income of Covid-19 grants where the council is considered to have acted “as agency”. These had been shown on a gross basis whereas they now show a nil effect within the accounts.
- 1.12 A change of classification to some short term investments has required a change to presentation, this has had a nil impact.
- 1.13 These alterations have no impact on the reported Outturn position or the Councils Usable Reserves.
- 1.14 Members are asked to approve the 2020/21 Statement of Accounts which reflect a true and fair view of the financial position of the Council as at 31 March 2021. The Committee is also required to formally approve and sign the letter of representation in Appendix 2.

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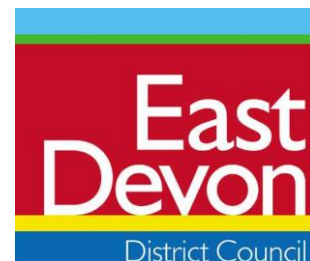
### **Financial implications:**

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.

Date: 16<sup>th</sup> March 2022  
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 2021**

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 2021 for the purpose of expressing an opinion as to whether the Council 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 2020/21 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 2020/21 ("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. Such accounting estimates include valuation of

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[eastdevon.gov.uk](http://eastdevon.gov.uk)  
[@eastdevon](https://twitter.com/eastdevon)

Download the free East Devon App  
to access council services at  
[eastdevon.gov.uk/app](http://eastdevon.gov.uk/app)

land, buildings and council dwellings, valuation of the net pension liability, provisions and accruals. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable 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 Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. 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.
- xv. We have updated our going concern assessment. 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 :
  - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

## **Information Provided**

- xvi. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council's 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.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. 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.
- xx. 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.
- xxi. 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.
- xxii. 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.
- xxiii. 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.
- xxiv. 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**

- xxv. 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**

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

## **Approval**

The approval of this letter of representation was minuted by the Council's Audit & Governance Committee at its meeting on 16 March 2022.

Yours faithfully

Signed:

Name Sam Hawkins  
Position Chair of the Audit and Governance Committee  
Date \_\_\_\_ March 2022

Signed:

Name Simon Davey  
Position Strategic Lead Finance (CFO/S151)  
Date \_\_\_\_ March 2022

Signed on behalf of the Council

Report to: Audit and Governance Committee

Date of Meeting 16 March 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



## Full risk review November / December 2021

### Report summary:

Risk information for the 2021-22 financial year is supplied to allow the Audit and Governance Committee to monitor the risk status of Strategic and Operational Risks. This follows the full review of risks by responsible officers during November / December 2021.

### Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

### Recommendation:

That the Audit and Governance Committee considers the current status of risks following the full risk review undertaken in November / December 2021

### Reason for recommendation:

To ensure that the Risk Management Policy and Guidance is being followed and all risks are being monitored and control actions implemented.

Officer: Simon Davey, Strategic Lead - Finance [sdavey@eastdevon.gov.uk](mailto:sdavey@eastdevon.gov.uk) ext 2690  
Joanne Avery, Management Information Officer [javery@eastdevon.gov.uk](mailto:javery@eastdevon.gov.uk)

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

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

**Equalities impact** Low Impact

**Climate change** Low Impact

**Risk:** High Risk; Failure to identify, assess, monitor, review and manage risks could impact negatively (i.e. financial, reputational, operationally) on the council.

**Links to background information** [Appendix A – Full list of Operational Risks November / December 2021](#)

[Appendix B – Strategic Risks November / December 2021](#)

[Appendix C – Explanations and definitions](#)

**Link to [Council Plan](#)**

Priorities (check which apply)

- ☐ Better homes and communities for all
  - ☐ A greener East Devon
  - ☐ A resilient economy
- 

## Report in full

1. As part of our corporate governance it is appropriate that we maintain and manage a risk register. The risk register allows us to highlight any risks to our organisation and set out how we are going to mitigate against their impact and likelihood.
2. Our risk management policy requires all risks identified by the council to be reviewed bi-annually. Through the month of November the risk owners were tasked with reviewing their risks in the SPAR system. The complete operational risk register is provided for the Committee to review at [Appendix A](#). This is listed by service area and includes all of the control actions. There are now 84 operational risks, all of which have been reviewed and re-scored in light of all mitigating actions being undertaken and in relation to the on-going pandemic. All services were asked to highlight any new and emerging risks with no new risks being put forward at this review
3. In the operational risk register there are two risks currently scored as high.
  - **Failure of LED Leisure through budget, legal, or reputational issues**  
LED income and activities were severely impacted by the Covid-19 pandemic and the associated lockdowns/restrictions. LED had been reliant on furlough payments and the Council increasing its subsidy to remain viable, and the Council has attempted to recover its costs through government support for the leisure industry. Revised monitoring and liaison arrangements have been put in place going forward to focus on leisure needs, and clear strategy and affordability.
  - **Failure of the contractors to deliver the service through pandemic staff shortages, strike action, company liquidation, legal prohibitions and/or other similar circumstances that render this contractor unable to continue with the contract.** With the high tonnages being collected at kerbside and property growth in the district, more pressure is being put on our Suez collection crews.  
On top of this Covid isolations, non-deployments of rounds often on Thurs and Fri, with Sat catch ups and issues of staff and driver shortages since March have all meant the service has struggled this year. We anticipate we might experience these issues for most of 2022. The Omicron variant is starting to impact with a recent spate of Covid isolations. Suez are working on a bridging solution paper for property growth and recycling tonnage increase and required resources. We have an Extraordinary Board meeting 8 December to discuss and in due course will bring forward a report to Cabinet/Council. The estimate from Suez is currently around £1mil.

4. The tables below set out the number of risks in each service by score.

<b>Finance</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<i>Risks by score</i>		4	8

<b>Economy &amp; Planning</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<i>Risks by score</i>		9	5

<b>Housing</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<i>Risks by score</i>		15	3

<b>Environment</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<i>Risks by score</i>	2	8	5

<b>Governance &amp; Licensing</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<i>Risks by score</i>		9	5

<b>Communications &amp; HR</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<i>Risks by score</i>		3	8

5. As part of this review our strategic risks have also been reviewed by their owners and are now submitted for Committee's consideration.

There are 10 risks on the strategic register, more details for each risk can be seen in [Appendix B](#).

#### **List of strategic risks**

- Adequacy of financial resource planning to deliver the Council's priorities
- Adequate emergency planning and business continuity
- Climate change targets not achieved
- Delivery of Growth Point
- Failure to adequately protect staff health and safety at work
- Failure to ensure that our corporate property portfolio is fully compliant with legal requirements.
- Failure to ensure the Council's sustainability
- Increased homelessness
- Major disruption in continuity of computer and telecommunications services
- Retaining and strengthen a collective approach to decision making to ensure we avoid poor decision making affecting our performance and our reputation

<b>Strategic Risks</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<i>Risks by score</i>	0	10	0

6. An explanation and definitions of these risks including the risk matrix can be found in [Appendix C](#).

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#### **Financial implications:**

No direct financial implications

#### **Legal implications:**

There are no direct legal implications

Report to: Audit and Governance Committee

Date of Meeting 16 March 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



## Statement of Accounts 2021/22 – 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. At this stage there are no changes for 2021/22 identified.

### Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

### Recommendation:

To approve the Accounting Policies for the 2021/22 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](mailto:jsymes@eastdevon.gov.uk), 01395 517413

Portfolio(s) (check which apply):

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

**Equalities impact** Low Impact

**Climate change** Low Impact

**Risk:** Low Risk;

**Links to background information** [EDDC Accounting Policies](#)

**Link to** [Council Plan](#)

**Priorities** (check which apply)

- ☒ Better homes and communities for all
  - ☒ A greener East Devon
  - ☒ A resilient economy
- 

## Report in full

### 1. Background and Proposals

- 1.1 This report presents the proposed accounting policies to be adopted for the 2021/22 financial year and to be used in the preparation of the statement of Account for the financial year ending 31<sup>st</sup> March 2022. 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. 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 For 2021/22 there are currently no changes identified. Any further changes to accounting regulations may require the policies to be changed further, but none are anticipated. Any significant changes will be reported to the committee.
- 1.8 The proposed accounting policies are presented via the link within the report and do not depart from the provisions of the 2021/22 Code.

### 2. Future Key Accounting Changes

- 2.1 The Leasing Standard IFRS16 which was due to be adopted on 1<sup>st</sup> April 2020 by Local Government has been delayed to the 2022/23 financial year, this will bring leased assets onto the balance sheet where the lease period exceeds one year. The authority is already following guidance in its preparation to moving to the new requirements.
-

**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.

**Audit and Governance Committee****16 March 2022****Audit and Governance Committee****Forward Plan 2022/23**

<b>Date of Committee</b>	<b>Report</b>	<b>Lead Officer</b>
28 July 2022	<ul style="list-style-type: none"> <li>• Statement of Accounts 2020/21</li> <li>• Auditor's Annual Report</li> <li>• External Audit Plan 2021/22</li> <li>• Annual audit letter</li> <li>• Risk Management Review</li> <li>• Strata Annual Internal Audit report</li> <li>• S106 and CIL update</li> <li>• Review of the Local Code of Corporate Governance</li> <li>• RIPA update and policy review</li> </ul>	<p>Strategic Lead Finance</p> <p>Grant Thornton</p> <p>Grant Thornton</p> <p>Grant Thornton</p> <p>Management Information Officer</p> <p>DAP</p> <p>Service Lead Planning</p> <p>Strategic Lead Governance &amp; Licensing</p>
22 September 2022	<ul style="list-style-type: none"> <li>• Audit Committee Update</li> <li>• RIPA update</li> <li>• Internal Audit Activity – Quarter 2 2021/22</li> <li>• Partnership Register</li> </ul>	<p>Grant Thornton Strategic Lead Governance &amp; Licensing</p> <p>SWAP</p> <p>Management Information Officer</p>

17 November 2022	<ul style="list-style-type: none"> <li>• Audit Findings Report</li> <li>• Auditor's Annual Report</li> <li>• Statement of Accounts including Governance Statement 2020/21</li> <li>• RIPA update</li> </ul>	Grant Thornton Grant Thornton Strategic Lead Finance Strategic Lead Governance & Licensing
19 January 2023	<ul style="list-style-type: none"> <li>• Internal Audit Activity – Quarter 3 2021/22</li> <li>• Audit Committee update</li> <li>• Risk Management review – half year review</li> <li>• Review of the Anti-Fraud Theft and Corruption Policy, Anti-Bribery Policy and Whistleblowing Policy</li> <li>• Review of the Local Code of Corporate Governance</li> <li>• Strata Annual Internal Audit report</li> <li>• RIPA update</li> </ul>	SWAP Grant Thornton Management Information Officer Strategic Lead – Governance & Licensing Strategic Lead – Governance & Licensing DAP Strategic Lead Governance & Licensing
16 March 2023	<ul style="list-style-type: none"> <li>• Annual Audit Plan 2022/23 and Review of Internal Audit Charter</li> <li>• Internal Audit Plan Progress</li> <li>• External Audit Plan</li> <li>• Audit Committee update</li> <li>• Accounting Policies Approval</li> <li>• RIPA update</li> </ul>	SWAP SWAP Grant Thornton Grant Thornton Financial Services Manager Strategic Lead Governance & Licensing