



Agenda for Audit and Governance Committee Thursday, 23rd March, 2023, 2.30 pm

Members of Audit and Governance Committee

Councillors: S Hawkins (Chair), D Barrow, J Bonetta, C Brown, S Gazzard, J Kemp, R Lawrence, P Twiss, J Whibley and T Woodward (Vice-Chair)

Venue: Council Chamber, Blackdown House, Honiton

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(or group number 01395 517546)

Monday, 13 March 2023

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1 Public speaking

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

2 Minutes of the previous meeting (Pages 3 - 5)

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 March 2023 (2022/23)** (Pages 6 - 18)

8 **Internal Audit Plan and Charter 2023/24** (Pages 19 - 33)

9 **Audit Findings Report - Grant Thornton** (Pages 34 - 71)

10 **Risk Review Autumn/Winter 2022-23** (Pages 72 - 75)

11 **Accounting Policies Approval** (Pages 76 - 78)

12 Section 106 and CIL Update (Pages 79 - 82)

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 83 - 84)

Under the Openness of Local Government Bodies Regulations 2014, any members of the public are now allowed to take photographs, film and audio record the proceedings and report on all public meetings (including on social media). No prior notification is needed but it would be helpful if you could let the democratic services team know you plan to film or record so that any necessary arrangements can be made to provide reasonable facilities for you to report on meetings. This permission does not extend to private meetings or parts of meetings which are not open to the public. You should take all recording and photography equipment with you if a public meeting moves into a session which is not open to the public.

If you are recording the meeting, you are asked to act in a reasonable manner and not disrupt the conduct of meetings for example by using intrusive lighting, flash photography or asking people to repeat statements for the benefit of the recording. You may not make an oral commentary during the meeting. The Chairman has the power to control public recording and/or reporting so it does not disrupt the meeting.

Members of the public exercising their right to speak during Public Question Time will be recorded.

[Decision making and equalities](#)

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EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of Audit and Governance Committee held at Council Chamber, Blackdown House, Honiton on 17 November 2022

Attendance list at end of document

The meeting started at 2.30 pm and ended at 3.48 pm

14 Public speaking

Cllr Paul Millar ask Grant Thornton a question on purdah and how this was audited.

15 Minutes of the previous meeting

The minutes of the Audit and Governance Committee held on 28 July 2022 were confirmed as a true record.

16 Declarations on interest

None

17 Matters of urgency

There was one late report which is recorded at Minute 24.

18 Confidential/exempt item(s)

None

19 Internal Audit Plan Progress November 2022 (2022/23) - SWAP

The report provided an update on the 2022/23 Internal Audit Plan as at end of October 2022.

RESOLVED:

that the progress made in delivery of the 2022/23 Internal Audit Plan be noted.

20 EDDC Sector update - Grant Thornton

The report provided the Committee with a summary of emerging national issues and developments that may be relevant to the council.

RESOLVED:

that the sector update be noted.

21 EDDC Audit Plan 2021/22 - Grant Thornton

The report provided an overview of the planned scope and timing of the statutory audit of the council for those charged with governance.

RESOLVED:

that the Audit Plan 2021/22 be noted.

22 **Partnership Review 2022**

Partnership information for the 2021/22 financial year until March 2022 was supplied to allow the Committee to monitor the status of EDDC's partnerships. This follows the year-end review of partnerships by responsible officers for 2021/22.

RESOLVED:

that the current status of EDDC's partnerships following the full partnership review undertaken in July 2022 be noted. The Committee requested whether LED should be added to the partnership register be looked into and that the register show which Councillors oversee each partnership.

23 **STRATA ICT Audit 2021/22 -DAP**

Strata Service Solutions had three founding partners (The Partners), East Devon District Council (EDDC), Exeter City Council (ECC) and Teignbridge District Council (TDC). The creation of Strata in 2014 represented an innovative approach that had positioned the Partners well as many Councils around the country increasingly look to enter similar partnership arrangements.

RESOLVED:

that the Strata ICT Audit 2021/22 be noted. The Committee asked that SWAP and DAP discuss with each other whose responsibilities' were whose to ensure there was complete internal audit coverage.

24 **Review of the Local Code of Corporate Governance**

The Strategic Lead Governance and Licensing & Monitoring Officer explained that the Council's Code of Corporate Governance, which sets out the council's overarching approach to its corporate governance arrangements was due for review. It was a requirement of the Constitution that Cabinet consult with Audit & Governance in relation to the approval, implementation and monitoring of the Code of Corporate Governance.

RESOLVED:

that the Committee recommend to Cabinet that the current Local Code of Corporate Governance should continue without amendment and be reviewed again in two years' time, unless circumstances require an earlier review.

25 **RIPA update**

The RIPA Senior Responsible Officer advised that there had been no requests for RIPA authorisation since the last committee.

26 **Audit and Governance Forward Plan**

Members noted the contents of the Committee Forward Plan for 2022/23.

Items to be considered at the January 2023 committee included:

- Internal Audit Activity – Quarter 3 2021/22
- Audit Committee update
- Audit Findings Report

- Statement of Accounts including Governance Statement 2020/21
- Risk Management review – half year review
- Review of the Anti-Fraud Theft and Corruption Policy, Anti-Bribery Policy and Whistleblowing Policy
- RIPA update

Attendance List

Councillors present:

S Hawkins (Chair)
P Millar
T Woodward

Councillors also present (for some or all the meeting)

P Arnott
J Rowland

Officers in attendance:

Amanda Coombes, Democratic Services Officer
Simon Davey, Strategic Lead Finance
Beth AC Garner, Grant Thornton
Henry Gordon Lennox, Strategic Lead Governance and Licensing (and Monitoring Officer)
John Symes, Finance Manager
Alastair Woodland, SWAP
Craig Moodie, DAP

Councillor apologies:

D Barrow
C Brown
S Gazzard
R Lawrence
P Twiss

Chair

Date:

Report to: Audit and Governance Committee

Date of Meeting 23 March 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Internal Audit Plan Progress March 2023 (2022/23)

Report summary:

This report is to provide an update on the 2022/23 Internal Audit Plan as at end of March 2023.

Recommendation:

Members are asked to note progress made in delivery of the 2022/23 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.

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 2022/23](#)

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 2022/23 March 2023

page 8

Contents

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Summary:

Role of Internal Audit

Page 2



Plan Performance:

Internal Audit Work Programme

Page 3

Significant Corporate Risks

Page 4

Approved Changes to the Audit Plan

Page 4

EDDC Internal Audit Plan Performance

Page 5



Appendices:

Appendix A – Audit Framework Definitions

Page 6

Appendix B – Summary of Work Plan

Pages 7-10

Appendix C – One page summary of Limited Assurance audits

Pages 11

Internal Audit Plan Progress 2022-23

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 2022 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 Audit Plan. We have adopted 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, and we welcome input from members of the Audit and Governance Committee. The 2022-23 Audit Plan was reported to the Audit and Governance Committee and approved at its meeting in March 2022. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk within East Devon District Council.



Plan Performance

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 rolling plan for 2022-23 as presented to this Committee in March 2022. It is important that Members are aware of the status of all audits being delivered 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 since the November update:

Audit Area	Opinion
Debtors	Reasonable
Small Works and Services Contract Management	Follow up
Economic Resilience	Reasonable
Worksmart+ Strategy	Reasonable

Note we report by exception. Full copies of each Limited/No Assurance Opinion Report and Follow up reports will be uploaded to the audit committee document library for members to read at their discretion. A Summary of the Small Works and Service Contract Management Follow Up is provided in **Appendix C**.



Plan Performance

Significant Corporate Risks

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

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Audit Plans are undertaken on a rolling quarterly basis.



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.



Approved Changes to the Plan

We will regularly re-visit and adjust our rolling programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls. Details of our current work for 2022-23 are provided in **Appendix B Table 1**.

Our rolling plans are agreed with the Senior Leadership Team quarterly from the list of unscheduled audit areas that constitutes the rolling Audit Plan. Members of the Audit Committee are welcome to identify area where they need assurance for priority work to assist in their role with oversight of governance, risk and control.

The following table highlights changes to the plan since the previous update In November 2022.

Assignment	Change	Reason
Firmstep	Deferred	Audit has been deferred as the manager has informed us that the project has been on hiatus and requires a reset. Audit included in 2023-24 Q2.
Value for Money	Removed	External audit are completing a separate piece of work in this area.
HR Review	Added	Request from HR Manager for specific review.
Data Protection/GDPR	Deferred	Audit included in 2023-24 Q1. Changes in responsible officer.



Plan Performance

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



SWAP Performance

SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective performance position for East Devon District Council for quarters 1 to 4 as at the end of February were as follows:

Performance	Target Year End	Q1 (Apr – Jun)	Q2 (Jul – Sep)	Q3 (Oct – Dec)	Q4 (Jan – Mar)
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Not Started	>90%	100% 0% 0%	100% 0% 0%	25% 75% 0%	25% 75% 0%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	>95%	100%			
<u>Outcomes from Audit Work</u> 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%	100%			

*Note, performance statistics do not include 'on-going' activity. See Appendix B status field for on-going activity.



Assurance Definitions

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

Definition of Corporate Risks

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

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Table 1

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
FINAL									
Assurance	Homelessness	1	Final	Reasonable	5	-	3	2	
Follow Up	Annual Vehicle Declarations and Compliance	1	Final	Follow Up	1	-	1	-	1 P2 outstanding.
Grant Certification	Protect and Vaccinate – CIA Sign off	1	Final	Advisory	-	-	-	-	
Assurance	Housing Rents	1	Final	Reasonable	2	-	1	1	
Assurance	Disability Facility Grants and Better Care	1	Final	Limited	10	-	5	5	Progress update circulated to Audit Committee Members November 2022.
Assurance	Restart Grants	1	Final	Reasonable	0	0	0	0	
Advisory	Baseline Assessment for Maturity of Fraud Risk	1	Final	Advisory	0	0	0	0	Reported to Audit Committee Nov 2022.
Grant Certification	NEW: Covid Outbreak Management Fund (COMF)	2	Final	Advisory	-	-	-	-	
Assurance	Main Accounting	2	Final	Reasonable	7	-	2	5	
Assurance	Debtors	2	Final	Reasonable	6*	-	4*	2*	Totals include: Two P2 and One P1 recommendation implemented prior to audit completion.



Summary of Work Plan

Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Follow Up	Small Works and Services Contract Management	2	Final	Follow Up	4	1	2	1	See Appendix C
Assurance	Economic Resilience	2	Final	Reasonable	2	-	-	2	
Assurance	Worksmart+ Strategy	3	Final	Reasonable	5	-	1	4	
DRAFT									
Assurance	Climate Change	2	Draft						
Assurance	Housing Compliance – Asbestos	4	Draft						
IN PROGRESS									
Advisory	Recommendation Tracking	2-4	Ongoing						
Advisory	Revenues & Benefit Fraud Support	3-4	Ongoing						
Assurance	Cyber Security	3-4	Initiation						Scope expanded following Audit Committee meeting Nov 2022.
Assurance	Cranbrook Town Development Project Governance	4	In Progress						
Follow Up	Housing Invoice Payment Process Follow Up	4	In Progress						

page 16



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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.

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	New: HR Review	4	In Progress						
REMOVED FROM PLAN									
Assurance	Firmstep	4							Included in Q1 Plan 2023-24
Advisory	Value For Money	4							
Assurance	GDPR Data Protection	4							Included in Q1 Plan 2023-24

page 17



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Small Works and Services Contract Management – Follow up Audit December 2022

The original audit of Small Works and Services Contract Management was completed in January 2022 and received a limited assurance opinion. The objective of the audit was to provide assurance that the Council has appropriate systems in place to ensure that Small Works and Services Contracts are monitored and managed in an effective manner and in accordance with its own rules. The follow up audit has found that although progress has been made on three out of the four actions, none of them are fully complete. Key findings from the audit follow up have been summarised below:

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

Issues – January 2022	Position - December 2022
No central Contract Register detailing key information on the contracts held. In addition, the Council does not publish all the details required by the Transparency Code.	No changes have been made to the reports required under the Transparency Code. Guidance is being produced and training undertaken to ensure Pro-Contract shows all contracts.
There is no reference within the Contract Standing Orders (CSOs) on how smaller contracts should be monitored.	The CSO's has been updated to refer to guidance on the procurement page on the intranet. However, this has not yet been finalised.
There is no published guidance on how contracts should be managed, and no training is provided.	Contract management guidance has been drawn up but is not yet finalised. Training is being arranged for 2023.
Lack of understanding on how to produce Minor Works Agreements.	No progress made. Action has now passed to the Principal Solicitor.

Report to: Audit and Governance Committee

Date of Meeting 23 March 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



2023/24 Internal Audit Plan and Charter - March 2023

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 2023-24 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 2023/24
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.

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 2023-24 Internal Audit Plan and Internal Audit Charter

page 21

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 2023/24

The factors considered in putting together the 2023/24 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 2023/24 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:



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The Internal Audit Plan: Risk Assessment

Following our SWAP Risk Assessment above, we have set out how the proposed 2023/24 quarter 1 and 2 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 2023/24

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 6 monthly planning approach means that the 2023/24 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**. Please refer to the **EDDC Rolling Placeholder Planning Overview Document** for potential audits for Q3 & Q4 in the Audit Committee Document Library.

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 B**.

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
<u>Delivery of Annual Internal Audit Plan</u> Completed at year end	>90%
<u>Quality of Audit Work</u> 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%
<u>Outcomes from Audit Work</u> 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	Planned Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Strategic Risk
Disability Facility Grants and Better Care Follow Up	Q1	Better homes and communities for all	Financial Management	
Data Protection & GDPR	Q1	-	Information Management	Failure to meet the requirements of data protection legislation and good information governance.
Emergency Planning	Q1	-	Corporate Governance	Adequate emergency planning and business continuity
Counter Fraud Support on Housing Benefit claims	Q1-Q4	-	Financial Management	
Housing Contractor Management Recommendations Follow up	Q1	-	Contract Management, Commissioning and Third-Party Resilience	
Supplier Resilience (supply chain Risk Management).	Q1	-	Contract Management, Commissioning and Third Party Resilience	Business failure of a major contractor or significant partner.
Housing Landlord health and safety compliance: Damp and Mould	Q1	Better homes and communities for all	Asset Management	Failure to ensure that our corporate property portfolio is fully compliant with legal requirements.
Partnerships Arrangements	Q2	-	Contract Management, Commissioning and Third-Party Resilience	
District Heating Project	Q2	Better homes and communities for all; A greener East Devon	Programme & Project Management	Climate Change targets not achieved.
Audit Committee Member training including skills survey	Q2	-	Corporate Governance	
Performance & Benchmarking Management	Q2		Corporate Governance	

Audit Area to Deliver In Plan	Planned Quarter	Link to Corporate Outcome	Healthy Organisation Theme	Link to Strategic Risk
Housing Ombudsman Complaint	Q2	Better homes and communities for all	Corporate Governance	
Recruitment & On-Boarding	Q2	-	Workforce	Recruitment and Retention Issues.
Firmstep	Q2	-	Information Management	

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 2023-24

Advice & Support	<ul style="list-style-type: none"> • Committee Attendance & Reporting • Head of Audit Role/planning • Recommendation Tracking Framework and dashboard • Assurance Mapping • Member training • Fraud bulletins and News round-up
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Please refer to the EDDC Rolling Placeholder Planning Overview Document for potential audits for Q3 & Q4 in the Audit Committee Document Library.

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 Committee¹ in March 2022.

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

Management²

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.

² In this instance Management refers to the Senior Management Team and Statutory Officers.

Audit and Governance Committee³

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 Audit⁴) 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.

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

⁴ 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 2023

The Audit Findings for East Devon District Council

Year ended 31 March 2021

East Devon District Council

9 March 2023

page 34



Contents



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Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

Appendices

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

Page

- 3
- 5
- 20
- 22
- 25
- 27
- 28
- 31
- 33

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 2023

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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.

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 started remotely in November 2021 and continues. [We reported our findings to date to the March 2022 Audit and Governance Committee. Since that time, there have been a number of challenges in closing down audit queries, and the 2020/21 audit has also been impacted by national accounting issues in respect of infrastructure assets. CIPFA consulted nationally and issued amended guidance in January 2023 which has allowed us to begin work on the Council's infrastructure asset balances and transactions once more.](#)

Our findings to date are summarised on pages 5 to 22.

We have identified [3 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: land & building revaluations, council dwellings valuations, pension liability, grant income, expenditure, remuneration disclosures, income and expenditure disclosures, capital expenditure and financing, collection fund, and housing revenue account;
- updating management's going concern assumptions to the point of signing the audit opinion;
- concluding procedures, [including an understanding of the impact of any subsequent events given the time period elapsed since the end of the period cover by the financial statements and the date of our audit opinion](#);
- 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

Our completed VFM work is summarised on page 21, and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the Audit & Governance Committee in July 2022. We were satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We will only be in a position to issue the final Auditors Annual Report upon completion of the financial statements audit for 2020/21, and will therefore be alert to any further evidence available to us until this point.

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 completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant Matters

As noted on page 3, have encountered a number of difficulties in being able to conclude our audit work on 2020/21. Our audit work began in November 2021 and we experienced a number of issues with the timely return of audit requests. Throughout the period of audit, the council has also experienced staff absence that has made responding to audit queries more challenging than it would usually be. Given the large amount of time that has passed, a number of team members who started the audit work are no longer employed at Grant Thornton, which has meant that multiple handovers of work have taken place and there are updated requirements which have lead to additional procedures being scoped into the audit plan. As the audit was not concluded prior to January 2021, the Council's material infrastructure balance meant that we were unable to conclude as we awaited statutory actions to allow the national issues relating to infrastructure to be resolved (more detail on page 10).

We also encountered issues relating to creditors populations, where the council was unable to provide a detailed listing of creditors as at year end. This lead to us having to expand the size of our sample, creating a greater volume of work for both us and officers.

As a result of these factors, additional fees will need to be charged for the additional audit work involved to conclude. We are in the process of reviewing the position and will discuss with the Director of Finance prior to submitting our final fee position to PSAA for approval.

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 2023

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
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We:</p> <ul style="list-style-type: none"> • 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. <p>Findings</p> <p>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. See Appendix A for more details.</p> <p>Our work is complete and we have not identified any other issues which impact on our conclusion.</p>

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 relation to the council dwelling and land & building assets. We have completed our work on Investment Properties.

[Our review of Investment Properties identified that the council valued this asset as at 31 December 2020 rather than the 31 March 2021. While we have been able to satisfy ourselves that the value would not be materially different, this constitutes non-compliance with eh CIPFA code, as investment properties are required to be revalued as at the balance sheet date. We have raised a recommendation in Appendix A.](#)

No other findings have been identified at the time of writing.

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 - Other risks

Risks identified in our Audit Plan

Valuations of Infrastructure Assets

The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment.

As the audit progressed we identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register. This was a national accounting issue affecting all Authorities with material infrastructure asset balances.

Commentary

The inherent risks which we identified in relation to infrastructure assets were:

- an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components; and
- a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UEls) in calculating depreciation charges.

We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UEls).

The English SI includes two key elements:

1. The local authority is not required to make any prior period adjustments (PPAs) in respect of infrastructure assets
2. Where a local authority replaces a component of an infrastructure asset the carrying amount to be derecognised can be determined as nil or calculated in accordance with normal accounting practices specified in the CIPFA Code.

This has meant that the only remaining risks relates to the accuracy of in year depreciation and accuracy of any impairment consideration where relevant.

The council is in the process of updating accounts to reflect the updated disclosure requirements as Infrastructure assets are now only required to be disclosed on a net book value basis.

We have completed the following work focusing on the Council's current year's infrastructure assets:

- reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets; and
- evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UEls.

Our work in this area is still in progress. To date we have identified two issues relating to Infrastructure assets. Firstly, assets with a gross book value of £7.1m did not have a useful economic life assigned and hence no depreciation was charged on the them. Secondly, a number of the Council's Infrastructure assets have useful economic lives that are outside of the ranges provided by CIPFA in their guidance. We are currently evaluating the impact of these issues.

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>Recognition and Presentation of Grant Income</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"> • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all; • 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; • 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 • the adequacy of disclosure of judgements in the financial statements. 	<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>Prior period adjustment between short term investments & cash Equivalents</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
- [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
Investment properties - £3m	<p>The Council's Investment property was purchased in the prior year and revalued at 31 December 2020 and rolled forward to 31 March 2021.</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 and our work on this estimate is complete.</p>	Light Purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £84m	<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	●																								
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Assessment

- **Dark 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

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"> considered whether the MRP has been calculated in line with the statutory guidance; considered whether the Council's policy on MRP complies with statutory guidance; and considered the reasonableness of the movement in MRP charge. <p>Findings</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

- **Dark 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 - 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>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>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> 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 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. <p>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 style="list-style-type: none"> the nature of the Council and the environment in which it operates; the Council's financial reporting framework; the Council's system of internal control for identifying events or conditions relevant to going concern; and management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified; and management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. <p>In order to conclude our work we will consider management's assumptions to the date of signing our audit report.</p>

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"> • 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; • if we have applied any of our statutory powers or duties; and/or • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <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 will complete our work in this area once the accounts audit is finalised.</p>
Certification of the closure of the audit	<p>We intend to issue the certification of the closure of the 2020/21 audit of East Devon District Council at the same time as the audit opinion.</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 completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the Audit & Governance Committee in July 2022.

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. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

page 54

Risk of significant weakness	Procedures undertaken	Conclusion
<p>Governance – response to findings from Health and Safety survey</p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> considered the response to the survey from officers and members; reviewed the Code of Conduct; and considered any impact the findings have had on the wider control environment. 	<p>We have reviewed the findings of two survey's and the Council's response including the actions taken to improve Member and Officer relations. Against a background of good working relationships, the surveys highlighted staff concerns around bullying and harassing behaviour from Members.</p> <p>From our review of the actions subsequently taken by the Council and discussions with the Chief Executive and Local Government Association (LGA), there is evidence that the issue has been taken seriously, actions have been implemented, and that the Council is making positive progress to remedy the situation.</p> <p>We concluded that while member behaviour did fall short of the standards required in the Code of Conduct, and relationships with officers suffered as a result, that the issue would had not resulted in a significant weakness. The Council recognised the issue, put an action plan in place and made progress in improving the situation. As a result we included an improvement recommendation in our Auditor's Annual Report, recommending that it is vital that this progress continues to ensure that effective governance can be maintained.</p>

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.

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
Audit related			
Certification of Housing capital receipts grant 2020/21	£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.
Certification of Housing capital receipts grant 2021/22	£7,000	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 2020-21	15,200	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.
Certification of Housing Benefit Claim 2021-22	24,165*	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.
Non-Audit			
Place Analytics (2020-21 and 2021-22)	10,000**	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 final fee for the Council's Housing Benefits Subsidy return for 2021/22 is being evaluated.

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

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
Low	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>Management response</p> <p>Agreed.</p>
Medium	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>Management response</p> <p>A review will be conducted for level of access and changed if necessary.</p>
Medium	The council has calculated it's minimum revenue provision using a method that is not allowable for expenditure incurred after 2008.	<p>While the incorrect calculation method did not result in significantly different MRP charge, we recommend that the council ensures it's calculation and policy is compliant with the prudential code.</p> <p>Management response</p> <p>Agreed</p>
Medium	The Council has revalued it's 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>Management response</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

page 59

Assessment	Issue and risk	Recommendations
Medium	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>Management response</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>
Medium	Review of the Council's disposals identified one asset that should have been disposed in the 2019/20 financial year.	<p>While the value of the asset disposed of is not material and a prior period adjustment is not required, we recommend management considers all sales in process at year end to determine whether there are any disposed assets that are accidentally excluded from records to ensure the completeness of disposal disclosures in the financial statements.</p> <p>Management response</p> <p>Agreed</p>
Medium	Our testing of the completeness of expenditure identified some issues with the Council's Housing Revenue Account accruals. We identified that a number of post year end payments should have been accrued into 2020/21 but were not. We identified a factual error of £141k.	<p>We recommend that management undertakes a detailed review of HRA expenditure around the year end to ensure it allocates costs to the appropriate period.</p> <p>Management response</p> <p>Agreed</p>
Low	<p>Our review of the Council's depreciation charge identified a number of cases where vehicles, plant & 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 it's individual asset lives to ensure they comply with the stated policies and are appropriate for the individual assets.</p> <p>Management response</p> <p>Policy and individual asset lives will be reviewed.</p>
Low	<p>We identified a number of Infrastructure assets that did not have a useful economic life allocated. As a result no depreciation was being charged for those assets and the in year depreciation charge is understated.</p> <p>We have also identified that a number of the Council's Infrastructure assets have been assigned useful lives which differ to the ranges suggested by CIPFA.</p>	<p>We recommend that management review Infrastructure assets and identify useful lives that are in line with those recommended by CIPFA in their January 2023 update for all infrastructure assets to ensure annual depreciation charges are appropriate.</p> <p>Management response</p> <p>Agreed</p>

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"> reference to governance arrangements within partnerships and joint working; reference to Code of Practice on Managing the Risk of Fraud and Corruption [CIPFA, 2014]; and reference to role of Head of paid service. <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
The Council made a prepayment to the pension fund in relation to it's deficit contributions. As a result the pension reserve and liability should not match. Our review of this has identified this has not been treated correctly. Our work is currently underway in this area, with the council having agreed to adjust the financial statements.	£TBC	£TBC	£TBC
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.	✓
We identified that the senior officer disclosure note did not include expense and allowance payments to senior individuals and that an exit package paid to a senior officer was not disclosed.	The CIPFA Code Guidance notes state that expenses and allowances should be included in the disclosure note and non-material amount of £10k had been excluded. The Council also made one exit payment of £106k which was not disclosed in the original note, however it was correctly disclosed in the separate exit packages note.	TBC

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Housing Revenue Account Expenditure not accrued into 2020- 21	Dr HRA Expenditure £141	Cr Accruals £141	Dr Expenditure £141	Not material
MRP – the council has not been providing MRP on capital loans to third parties. The cumulative impact on the General Fund is being reviewed.	TBC	TBC	TBC	TBC
The council had not been depreciating all infrastructure assets as no economic life was assigned to them.	Dr Depreciation £244	Cr Infrastructure £244	Dr Expenditure £244	Not material
Overall impact	£385	Cr Accruals £141 Cr Infrastructure £244	£385	

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 Scale Fee	39,132	39,132
Additional Fees previously raised*	21,500	21,500
Additional Fees identified to date:		
Minimum revenue provision		2,000
Prior period Adjustment discussions		1,000
Delay in receipt of responses to various audit queries		8,000
Infrastructure		5,000
Additional Journals work		1,000
Pension reserve restatements		2,500
Debtor & Creditor population issues		1,000
Total proposed audit fees (excluding VAT)	£60,632	**£81,132

*Additional fees previously raised are those set out in the Audit Plan presented to Audit & Governance Committee in July 2021.

**Total fees to be agreed on completion of all audit procedures and to be approved by PSAA. At the time of reporting we anticipate the above additional fees. We will provide an update at the conclusion of our work.

D. Fees

We confirm below the provision of non-audit services.

Non-audit fees for other services 2020-21	Proposed fee	Final fee
Audit Related Services		
Housing Benefit 2020-21	£15,200	£15,200
Pooling of Housing Capital Receipts	£5,000	£5,000
Non-Audit Services		
Place Analytics	£5,000	£5,000
Total non-audit fees (excluding VAT)	£25,200	£25,200

Total agreed Audit and Non-audit fees of £83,000 that relate to 2020-21 reconcile to the financial statements bar a rounding difference. The remaining fees are being proposed at the conclusion of the audit.

The below table sets out planned fees for 2021-22 work which has started during the period the 2020-21 audit has remained open.

Non-audit fees for other services 2021-22	Proposed fee	Final fee
Audit Related Services		
Housing Benefit 2021-22	£24,165	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)	£34,165	TBC

E. Audit opinion

Our audit opinion is included below.

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

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

Report on the Audit of the Financial Statements

Opinion 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. 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 23 March 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Risk Review Autumn / Winter 2022/23

Report summary:

Risk information for the 2022/23 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 December and January. Most of these reviews were completed by the responsible officers with the Management Information Officer.

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 December and January.

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 ext 2690

Joanne Avery, Management Information Officer javery@eastdevon.gov.uk ext 2332

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 – Operational Risk register winter 2022/23](#)
[Appendix B – Strategic Risks winter 2022/23](#) [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 months of May and June the risk owners were tasked with reviewing their risks in the SPAR system. For this review, the Management Information Officer meet with several of the risk owners to review the risk entries together. This was a really useful exercise and has resulted a several changes and updates to the risk register.
3. The operational risk register contains 79 risks which have all been reviewed and are available to view in full at [Appendix A](#). The operational risk register is listed by service area and includes all of the control actions. All of the risks have been reviewed and re-scored in light of all mitigating actions being undertaken and in relation to the on-going pandemic. The services were asked to highlight any new and emerging risks with one new risk being put forward at this review.
4. There are no new operational risks following this review but there is one recommended for removal -
Implement programme of upgrading sheltered housing and making 'fit for purpose'. –
Recommend that this risk is archived as the sheltered housing improvements are being captured as part of the stock condition survey.
5. In the operational risk register there are five 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. Recovery is slow, compounded with the cost of living crisis and higher utility costs. Revised monitoring and liaison arrangements have been put in place going forward to focus on leisure needs, implementing the Leisure Strategy and affordability. The Leisure Strategy also recognises the value and importance of leisure for health & wellbeing. Some challenging financial viability decisions will need to be made going forward.

Failure of performance under the Partnering Agreement by our responsive repair contractor leading to an inability to perform day to day repairs to tenant's homes. -

Additional consultancy support has been sought to provide additional support and input working closely with the property and asset manager. Overview of current position reported to the

housing review board in January 2023. Work and focus remains on this area. Wider tenant satisfaction survey going out to all tenants during Feb 2023 results will better inform the position on tenant satisfaction.

Failure to maintain gas safety, fire risk, asbestos register, solid fuel servicing, and legionella testing to meet legal requirements. - Additional dashboard monitoring now in place that sits across all areas of housing compliance. This is monitored by the housing leadership team monthly and going forward will periodically report into SMT+.

Securing resources in this area continues to be a challenge but we are starting to see some positive impact following the reward review.

Failure to maintain a 5 year housing land supply. - The latest annual housing monitoring report shows that we no longer have a 5 year housing land supply as a result of the local plan being out of date and insufficient sites coming forward as well as an increase in the annual requirement under the government's standard method calculator.

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. - Work has begun on analysis of future delivery and changes under Environment Act (DRS, EPS and consistency) along with contract renewal in 2026. Reports taken to Board.

There are more details on these risks in [appendix A](#).

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

Finance	High	Medium	Low
<i>Risks by score</i>		4	11

Housing	High	Medium	Low
<i>Risks by score</i>	2	14	1

Growth & Development	High	Medium	Low
<i>Risks by score</i>	1	10	1

Health & Environment	High	Medium	Low
<i>Risks by score</i>	2	7	5

Governance & Licensing	High	Medium	Low
<i>Risks by score</i>		6	4

HR & Communications	High	Medium	Low
<i>Risks by score</i>		2	9

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

There are 17 risks on the strategic register none of these risks are currently showing as high risk. More details for each risk can be seen in [Appendix B](#).

Strategic Risks	High	Medium	Low
<i>Risks by score</i>	0	14	3

There are three new risks on the strategic risk register.

- Risk of Service failure increased due to concerns around capacity and competence with gaps in staffing and difficulty in recruitment, combined with increase in demand leading to juggling of priorities and crisis management. Owner – John Golding
- Due to the impact of the current economic situation and the resulting cost of living issues there is a risk that we will be unable to meet the demands on our service from

our residents for and for their ability to pay council tax and housing rents. Owner - Mark Williams

- Implementation of the Elections Act 2022 at the next elections to be held in May 2023, may cause delays and impact of the efficient running of the elections process. Owner - Mark Williams

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

Financial implications:

No direct financial implications

Legal implications:

There are no direct legal implications

Report to: Audit and Governance Committee

Date of Meeting 23 March 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Statement of Accounts 2022/23 – 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 2022/23 identified.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

To approve the Accounting Policies for the 2022/23 Statement of Accounts.

Reason for recommendation:

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

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

Portfolio(s) (check which apply):

- ☐ Climate Action and 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

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 2022/23 financial year and to be used in the preparation of the statement of Account for the financial year ending 31st March 2023. 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 2022/23 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 draft accounting policies will also be reviewed by the external auditors, Grant Thornton as part of the audit of the accounts and so are still subject to change up to the point the final Statement of Accounts document is approved and signed. Any major changes will again be highlighted to the committee at a future meeting.
- 1.9 The accounting treatment for Infrastructure Assets has been clarified by CIPFA in a temporary solution for 2022/23 (CIPFA Bulletin 12 Accounting - Infrastructure Assets - Temporary Solution). We are implementing this temporary solution where we are not required to report the gross book value and accumulated depreciation but additional information is to be provided to explain the rationale.
- 1.10 The proposed accounting policies are presented via the link within the report and do not depart from the provisions of the 2022/23 Code.

2. Future Key Accounting Changes

- 2.1 The Leasing Standard IFRS16 which was due to be adopted on 1st April 2020 by Local Government has been delayed again to the 2023/24 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.

Report to: Audit and Governance Committee

Date of Meeting 23 March 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Section 106 and CIL Update

Report summary:

The purpose of this report is to advise members on the current position with regard to Section 106 and CIL collection and spend issues. The report follows discussion at a recent Scrutiny Committee meeting and the joint Scrutiny and Overview Committee to consider service plans where concerns were highlighted with current resourcing.

Members will recall that a SWAP audit was undertaken in 2020 and the findings reported to Audit and Governance Committee on the 28th January 2021 with a progress report on the implementation of the agreed actions considered at Members meeting of 29th July 2021. A subsequent follow-up audit by SWAP concluded that all actions had been completed.

This report seeks to update Members on the issues highlighted in the audit and concludes that the issues highlighted have not re-occurred. However issues have arisen subsequently with the resourcing of the spend process which are currently making it difficult to support the town and parish council's in consulting on the spend of Section 106 monies and the spend of monies which is causing some frustration and raises risks for the council.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That Audit and Governance Committee note the current position in terms of S106 and CIL processes and the proposed actions to address current issues highlighted in the report which include:

- a review of staffing for S106 and CIL monitoring and collection work including the role of the S106 Monitoring Officer;
- a review of the current resourcing issues with spend and delivery of S106 funded projects and how these can be unlocked; and
- a review of the information presented through the Exacom Public Facing module to ensure that it is clear and easy to understand.

Reason for recommendation:

To ensure Members are informed of the current position with regard to S106 and CIL processes.

Officer: Ed Freeman – Service Lead – Strategic Planning and Development Management

Portfolio(s) (check which apply):

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

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information Audit and Governance Committee Report 28th Jan 2021 - [S106CILAuditandGovernanceReport.pdf \(eastdevon.gov.uk\)](#); SWAP Audit Report - [S106CILFinalInternalAuditReport.pdf \(eastdevon.gov.uk\)](#); Audit and Governance Committee Report 23rd September 2021- [Section 106 and CIL Update.pdf \(eastdevon.gov.uk\)](#)

Link to [Council Plan](#):

Priorities (check which apply)

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

Background

In December 2020 SWAP completed an audit into the S106 and CIL planning contributions system. The objective of the audit was to ensure that appropriate arrangements are in place to manage the receipt and expenditure of S106 and CIL contributions. The audit noted that a number of weaknesses were already known to the service at point of testing, such as the Exacom system not being up to date and work was ongoing at the time of the audit to ensure that the system was brought up to date before the end of the 2020/21 financial year.

The audit gave a rating of “limited assurance” and a number of actions to address the findings were agreed. These actions were all completed as noted in the SWAP follow up audit in the 21/22 audit work. The key findings and proposed actions of the audit are set out below with a comment on the current position with regard to the issues raised.

Findings, Actions and Progress

Finding 1: The audit identified a large number of outstanding actions on the Exacom system.

Action: It was agreed that we would review resources and look to appoint a temporary member of staff to assist with the backlog of actions by April 2021.

A review of resources was carried out and it was concluded that additional temporary staff were needed to help to get the system up to date and that this could be funded through money held in the S106/CIL admin and monitoring fees held by the Council. Two additional members of staff

were in place for much of 2021 and into 2022 and over half of the outstanding actions were resolved including the most pressing ones. The temporary staff were not replaced when their contracts ended as it was felt that having substantially reduced the number of outstanding actions to a more manageable number the S106 Monitoring Officer would be able to manage the remaining tasks. Finding suitable officers to undertake this work is also very challenging in the current employment market. Unfortunately progress with reducing the number of outstanding tasks since that time has been slow and there remain around 600 outstanding tasks. There were 1249 noted in the audit of 2021. It should be noted that given that there are thousands of obligations being monitored there will always be a significant number of outstanding tasks. Many are minor actions associated with checking whether work has commenced or a key stage reached. Others relate to simply checking that land charges records have been updated or that DCC have received monies owed to them. At worst delays in checking these matters may delay the invoicing and receipt of monies but they do not put the contribution itself at risk. The risk to EDDC is therefore minor but we do need to reduce the number of outstanding tasks.

Unfortunately the S106 Monitoring Officer left the Council in October 2022. We have a temporary monitoring officer in post who continues to work through the outstanding tasks list, however a review of the S106 Monitoring Officer role and resourcing across the S106 and CIL workstreams is needed to determine the resources needed moving forward so that where necessary additional resources can be requested and staff recruited to undertake this work. Due to other staff shortages within the service this review has been delayed but it is anticipated that this will be undertaken in the spring.

Action: It was also agreed that the Planning Obligations Officer would provide a quarterly report on the status of the outstanding actions from Jan 2021.

Managers have access to the system and can generate the report themselves to check on progress and act upon the information.

Finding 2: Not all demands are raised on a timely basis and the recovery processes are ineffective.

Action: It was agreed that we would start to utilise Exacom to track the recovery process including using further notices and date tracking by June 2021.

A new invoicing and recovery process was produced following the audit which clearly documents the relevant stages and actions needed using the Exacom system. This process has been in place since then and work is ongoing to work through the outstanding invoices and overdue payments.

This work faltered following the departure of the Development Manager (August 2022) and S106 Monitoring Officer (October 2022), however meetings with Revenues and Benefits Officers who are working on the debt recovery side of this work are recommencing with the temporary S106 Monitoring Officer and the Assistant Director.

Finding 3: Participatory Budgeting Guide is out of date and not easily located.

It was agreed that we would review and update the Participatory Budgeting Guide, to include recommending that Parish and Town Councils should take minutes of the steering/working groups and publish them on their website. This to be done by the end of Jan 2021.

The participatory budgeting guide was updated and the recommended amendments incorporated into the new guide which was published in January 2021. The guide is available at: [Participatory Budgeting - East Devon](#)

The guide remains in place, however resourcing issues mean that it has not been possible to provide support to town and parish councils seeking to pursue spend on projects in recent months. The departure of the Section 106 Monitoring Officer initially led to some delay but with a temporary officer now in place and up to speed it is considered that it is the long term absence of relevant officers in the communications and engineers teams that is causing most delay. Options for addressing this situation have recently been discussed by the Senior Management Team and a report will be prepared setting out the options and seeking Members views on how this is to be resolved.

Finding 4: Parish and Town Councils are not advised on how much S106 has been collected.

It was agreed that we would ensure that the Public Facing Exacom is made available as soon as we have been given assurance that Exacom is complete and accurate. This to be done by the end of March 2021.

The public facing module for Exacom has been live on our website since July 2021. The system can be found at: [East Devon PFM - Home \(exacom.co.uk\)](#).

It is understood that the data as presented does unfortunately cause some confusion and leads to requests for clarification from officers. The data includes that for habitats mitigation and the non-neighbourhood proportion of CIL which the town and parish councils are not able to spend as these come to the district council and either go to delivery of the joint habitats mitigation strategy or into the central CIL pot for spend on strategic infrastructure. This is something that needs to be reviewed with the software provider to try and remove these fields and simplify the data so that this can be relied on by the town and parish councils and other interested parties.

Conclusion

In conclusion the actions identified in the audit in 2021 were all completed and SWAP were content with this in their follow-up audit. Progress with some of the on-going tasks highlighted by the audit such as addressing the outstanding tasks list and debt recovery have been delayed in recent months due to staff shortages. These issues have also had a knock on impact on the delivery of projects. Officers are acutely aware of these issues and the need to resolve them with discussions taking place to review options in preparation for a report to Members.

Financial implications:

The financial and budgetary implications are laid out in the body of the report.

Legal implications:

There are no legal implications arising from this update report.

Audit and Governance Committee**23 March 2023****Audit and Governance Committee****Forward Plan 2023/24**

Date of Committee	Report	Lead Officer
27 July 2023	<ul style="list-style-type: none"> • Internal Audit Plan 2022-23 Outturn • Internal Audit Annual Audit Opinion 2022-23 • External Audit Plan 2021/22 • Auditor's Annual Report 2021-22 • Annual audit letter • Statement of Accounts • Risk Management Review • Strata Annual Internal Audit report • Revenue and Capital Outturn Report 2021-2022 • S106 and CIL update • RIPA update 	SWAP Grant Thornton Director Finance Management Information Officer DAP Finance Manager Assistant Director Planning Director Governance & Licensing
21 September 2023	<ul style="list-style-type: none"> • Audit Committee Update • Internal Audit Activity – Quarter 2 2022/23 • RIPA update 	Grant Thornton SWAP Director Governance & Licensing

23 November 2023	<ul style="list-style-type: none"> • Internal Audit Plan Progress (2023/24) • EDDC Sector update • EDDC Audit Plan 2022/23 • Partnership Review 2023 • STRATA ICT Audit 2022/23 • RIPA update 	SWAP Grant Thornton Management Information Officer DAP Director Governance & Licensing
18 January 2024	<ul style="list-style-type: none"> • Internal Audit Activity – Quarter 3 2022/23 • Audit Committee update • RIPA update 	SWAP Grant Thornton Director Governance & Licensing
21 March 2024	<ul style="list-style-type: none"> • Annual Audit Plan 2022/23 and Review of Internal Audit Charter • Internal Audit Plan Progress • Auditor's Annual Report • Audit Findings Report • External Audit Plan • Audit Committee update • Risk Management review – half year review • Accounting Policies Approval • Statement of Accounts including Governance Statement 2021/22 • RIPA update 	SWAP Grant Thornton Management Information Officer Financial Services Manager Director Finance Director Governance & Licensing