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10 June 2025

AUDIT SCRUTINY COMMITTEE

A meeting of the **Audit Scrutiny Committee** will be held on **Wednesday, 18th June, 2025** in the **Council Chamber, Forde House, Brunel Road, Newton Abbot, TQ12 4XX** at **10.00 am**

PHIL SHEARS
Managing Director

Membership:

Councillors Morgan (Chair), Jackman, Nuttall, Purser, Radford, Ryan, Steemson (Vice-Chair) and Thorne

Please Note: Filming is permitted during Committee meeting with the exception where there are confidential or exempt items, which may need to be considered in the absence of the press and public. By entering the Council Chamber you are consenting to being filmed.

A G E N D A

Part I

1. **Apologies for Absence**

2. **Minutes of the previous meeting** (Pages 3 - 6)

   To approve and sign the minutes of the meeting held on 16 April.

3. **Declarations of Interest.**

4. **Public Questions (If any)**

5. **Members Questions (if any)**

   Members of the Council may ask questions of the Chairman subject to procedural rules.

The deadline for questions is no later than three clear working days before the meeting.

6. **External Audit Plan** (Pages 7 - 60)

7. **Risk Management** (Pages 61 - 76)

8. **Internal Audit Assurance Ratings** (Pages 77 - 80)

9. **Internal Audit Plan**

   Report to follow.

10. **Internal Audit Progress Report**

    Report to follow.

11. **Local Government (Access to Information) Act 1985 - Exclusion of Press and Public**

    RECOMMENDED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during item 12 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

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

12. **Financial Instructions Waiver and Exemptions** (Pages 81 - 86)

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AUDIT SCRUTINY COMMITTEE

16 APRIL 2025

Present:

Councillors Morgan (Chair), Steemson (Vice-Chair), Jackman, Nuttall, Purser, Ryan and Thorne

Members in Attendance:
Councillors Parrott

Officers in Attendance:
Martin Flitcroft, Director of Corporate Services
Sue Heath, Audit Manager
Gordon Bryant, Head of Financial and Audit Services
David Eaton, Head of Neigbourhoods
Christopher Morgan, Trainee Democratic Services Officer

16. MINUTES OF THE PREVIOUS MEETING

It was proposed by Councillor Morgan and seconded by Councillor Steemson that the minutes of the previous meeting be agreed as a correct record and signed by the Chair.

All were in favour.

Resolved

That the minutes of the previous meeting be agreed as a correct record and signed by the Chair.

17. DECLARATIONS OF INTEREST.

None.

18. INTERNAL AUDIT PROGRESS REPORT

The Audit Manager introduced the item to the Committee.

The Housing audit had been deferred until June and the Procurement audit had been completed, and so was ready to be distributed to Members. The Democratic Services Audit result would be provided to them in the following week. The Strata audit had been postponed. The Funding and Partnership audit would ensure that TDC was giving money to well-functioning and well governed organisations. The data on the Procurement audit had been very transparent. The Audit Annual Report would go to Committee in June. The Committee considered a new audit process that would be with a view of achieving compliance.

It was proposed by Councillor Morgan and proposed by Councillor Steemson that the Internal Audit Progress report be noted.

RESOLVED

That the Internal Audit Progress report be noted.

19. GOVERNANCE MONITORING CONSOLIDATED ACTION PLAN

The Audit Manager presented the report to the Committee.

It was noted that the Constitution Review Group was ongoing and members of this group should be feeding back to their political groups. Members of the Committee viewed the consolidated plan which included the Grant Thornton statutory recommendations, Annual Governance Statement, and Peer Review Report.

It was proposed by Councillor Morgan and seconded by Councillor Jackman that the plan be noted.

RESOLVED

That the plan be noted.

20. GLOBAL INTERNAL AUDIT STANDARDS

The Audit Manager introduced the item to the Committee. The discussion included the following points:

- Changes to audit standards going forwards
- Audit Scrutiny Committee will be strengthened
- Both TDC and DAP Audit work will work with these new standards
- Teignbridge are already compliant with the new principles, and the audit department have a new Officer starting soon who will aid in implementing the standards
- DAP are a larger organisation with a computerised system and so will manage with implementation of the new standards
- New Audit Officer will be involved in FOI work

It was proposed by Councillor Morgan and seconded by Councillor Jackman that the report be noted.

RESOLVED

That the report be noted.

21. FINANCIAL INSTRUCTIONS AND CONTRACT RULES WAIVER

It was noted that there had only been one waiver since the previous Committee.

It was proposed by Councillor Morgan and seconded by Councillor Jackman that the waiver in the report be noted.

RESOLVED

That the Financial Instructions and Contract Rules Waiver be noted.

22. UPDATE ON PROGRESS WITH CAR PARK PCN DEBT RECOVERY

The Head of Neighbourhood advised the Committee on the work that had been undertaken to recover the Penalty Notice fees. The discussion included the following points:

- The Parking Manager has final say on cancelling tickets
- An explanation of the appeals process
- PCNs are being fed through to the bailiffs
- There are over 3000 tickets to process
- There is approximately £166,000 to claim back
- If all tickets had been paid correctly it would amount to £16,000 in revenue
- The earliest PCNs are being pursued first
- 113 tickets issued since April 1
- The Audit Chair will be kept up to date with the ongoing parking audit
- Enforcement must be smart and efficient due to small team
- A new app could be looked into if Ringo is unpopular

The meeting commenced at 10.00 am and finished at 12.00 pm.

Cllr Sally Morgan
Chairman

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Grant Thornton

The Audit Plan for Teignbridge District Council

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Year ending 31 March 2025

April 2025

Agenda Item 6

Contents

01 Key developments impacting our audit approach

Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024 , the Secretary of State for Housing, Communities and Local Government, Angela Rayner, Presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to two-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We are expecting an interim plan by 21 March 2025 and a full proposal by 28 November 2025.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

In 2023/24 audit work, we are equally proud to have continued to deliver as much assurance as possible to the authorities we work with, even in cases where a disclaimer opinion has been issued. Our objective is to begin a pathway to recovery, by providing assurance over the in year 2024/25 transactions and movements, where possible and we will continue to work with management to facilitate this.

Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding : Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care and SEND.

Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context	Our Response
Disclaimed audit opinions The Council experienced two consecutive years of fully backstopped opinions, being 2022 and 2023 and these were signed as disclaimer opinions under the backstop arrangements. In the 2023/24 audit, there was insufficient time to complete the planned audit procedures due to the imposed statutory audit backstop date. This came about as management had restricted capacity to support the conclusion of all audit work while focusing on both budget preparations and training and recruiting new staff in the face of additional work being required due to the previous two years of disclaimer opinion.	• We will collaborate and coordinate with Management to streamline the provision of necessary information and data.
New accounting standards and reporting developments Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next slide.	• We will undertake a full review of its implementation as part of our post-statements audit and further details can be found on pages 9 and 18.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Head of Corporate Services.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
- We would like to offer a formal meeting with the Managing Director twice a year and will continue to meet with the Head of Corporate Services quarterly as part of our commitment to keep you fully informed on the progress of the audit.

- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit Scrutiny Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit Scrutiny Committee with sector updates providing our insight on issues from a range of sources via our Audit Scrutiny Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

IFRS 16 Leases

Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets (optional for LG)
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment procedures, we have enquired from management the appropriateness of the new accounting policies to be adopted, and management has provided an early view of the method which they intend to adopt in implementing IFRS 16. We will assess this implementation during our fieldwork stage of the audit.

The Backstop

Local Government National Context – The Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- for years ended 31 March 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 27 February 2026.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Local Government National Context – Local Audit Recovery

A disclaimer opinion was issued for 20/21 in April 2024. In the audit report for the year ended 31 March 2024, a disclaimer opinion was also issued in 3 ways which is:

1. The revaluation of Property, Plant and Equipment (following on from 2020/21).

2. Suitable Area of Natural Green Space (SANGS) accounting treatment, which was a new disclaimer in 2023/24

3. General backstop disclaimer as we were been unable to complete all procedures as at 31 March 2024.

As are result, we anticipate that for 2024/25:

- we will have limited or in most circumstances, no assurance over the opening balances for 2024/25.
- No assurance over the closing reserves balance also due to the uncertainty over their opening amount.

We are in discussion with the NAO and the Financial Reporting Council (FRC) as how we regain assurance. We will work with the Council to rebuild assurance over time.

Our Work

Our initial focus for the audit will be on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances for 2024/25.

Our objective is to begin a pathway to recovery, by providing assurance over the in year 2024/25 transactions and movements, where possible, and those closing balances which can be purely determined in isolation without regard to the opening balance, such as payables and receivables. As guidance is received from the NAO and the FRC, we will formulate a more detailed strategy as to how assurance can be gained on prior years.

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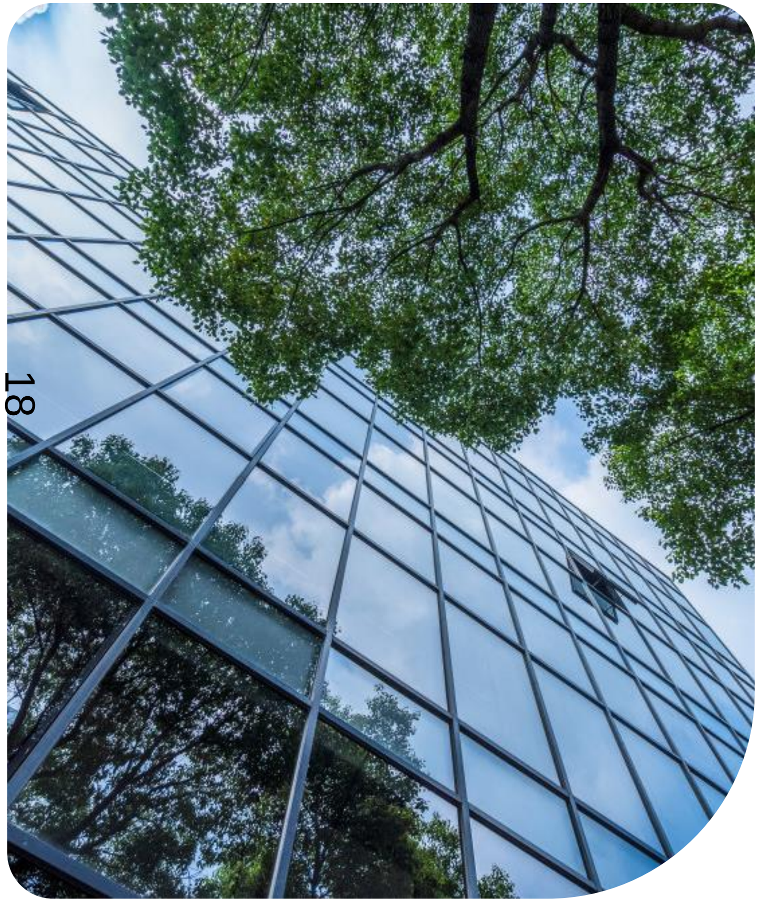
02 Introduction and Headlines

Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Teignbridge District Council ('the Council') for those charged with governance.

Respective responsibilities

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

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Scrutiny Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

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

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

Introduction and headlines (continued)

Significant risks

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

- Management override of control
- Valuation of Land and Buildings
- Valuation of Pension Fund Net Liability

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

Materiality

We have determined planning materiality to be £1.5m (PY £1.05m) for the Council, which equates to 2.2% of your prior year's gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £75k (PY £53k).

We have identified senior officer remuneration as a balance where we will apply lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.

Value for Money arrangements – (Beth to complete)

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Standards of behaviour
- Incorrect governance processes
- Arrangements for decision making and high profile capital projects
- Medium term financial planning and reserves

Audit logistics

Our planning work commenced in February and April and our final visit will take place between late September to December 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £160k (PY: £294k) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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

03 Identified risks

Significant risks identified

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.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: • Evaluate the design effectiveness of management controls over journals; • Review of accounting estimates, judgements and decisions made by management • Testing of journals entries • Review of unusual significant transactions
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the revenue streams both individually and collectively.	We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	**Planned audit procedures**
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.	Where we do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.
Valuation of land and buildings	In accordance with the CIPFA code, the valuation of land and buildings is considered a significant risk. This is because the valuation process involves significant judgment, estimation, and inherent subjectivity, which could lead to material misstatements in the financial statements if not appropriately valued.	The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and sensitivity of this estimate to changes in key assumptions. The valuation has also been subject to a disclaimer of opinion since 2020/21. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date. We therefore identified valuation of land and buildings, particularly revaluations and impairments as a significant risk.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities, and objectivity of the Council's valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test revaluations made during the year to see if they had been input correctly into the Authority's asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value (fair value for surplus assets) at year-end.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	**Planned audit procedures**
Valuation of pension fund net liability	In accordance with the CIPFA code, the valuation of Pension Liability is considered a significant risk. This is due to the long-term nature of pension liabilities and the considerable judgment and estimation involved in their valuation. The assessment of pension liabilities is commonly reliant on various assumptions, including the discount rate, life expectancy, and anticipated future salary and benefit increases. These assumptions may be subject to considerable estimation uncertainty, and alterations in these assumptions can exert a substantial influence on the valuation of pension liabilities.	The Council’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 and sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council’s pension fund net liability as a significant risk.	We will: • update 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 evaluate the design effectiveness of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work; • assess the competence, capabilities, and objectivity of the actuary who carried out the Council’s pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate its liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures as suggested within the report; and • obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other risks identified

Risk	Description	Audit team's assessment	Planned audit procedures
The implementation of IFRS 16	IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This year will be the first year IFRS 16 is adopted fully within Local Government.	IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lesser (subject to the exemptions). This is a major change from the requirements of IAS 17 in respect of operating leases and a new accounting standard implemented in 2024/25. The Council's assessment of the impact of this new accounting standard is yet to be received. As part of our audit work at fieldwork, we will evaluate the assessment of the Council.	Standard audit processes will be conducted because we do not consider this to be a significant risk for the Council. Since this is the first year of adoption, we will: • assess the accounting policies and adequacy of disclosures; • examine the method by which management finds and categorises leases and ensure all leases are captured; • examine if the discount rate used by management to determine the present value of lease payments is reasonable; • check that the lease term and other lease-related circumstances that could affect the lease's contractual length have been appropriately set by management; • verify that the computations are based on the appropriate lease payments and discount rates by assessing the accuracy of the initial recognition of right-of-use assets and lease liabilities; and • assess identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate.

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"The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated." (ISA (UK) 315)

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

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

04 Our approach to materiality

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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.

Matter	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements. We have determined financial statement materiality based on a proportion of the gross expenditure of the council. Materiality at the planning stage of our audit is £1.5 million, which equates to approximately 2.2% of your prior year gross expenditure.	• We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements	• An item may be considered to be material by nature when it relates to – instances where greater precision is required We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have established a materiality threshold of £20k for individual officers' disclosures.
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process	• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	**Matters we will report to the Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £75k (PY £53k). • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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.

	Amount (£)	**Qualitative factors considered**
Materiality for the Council financial statements	£1.500m	Disclaimer opinion issued in the previous period and challenges completing all audit work in 2023/24 have lead to us determining materiality at 2.2% of the Council's prior year gross expenditure
Performance Materiality	£900k	Performance materiality has been determined at 60% of materiality. In determining the threshold we have considered the council's structure, continuity of finance staff and complexity of audit work.
Triviality	£75k	The triviality threshold is calculated using a 5% benchmark of the materiality.
Materiality for specific transactions, balances or disclosures	£20k	A lower materiality has been set for individual officer remuneration disclosures because of the heightened political sensitivity and public interest concerns in this area. We will continue to audit this area more closely to the level of disclosure, and require amendments if errors are identified that impact the disclosure.

05 Audit findings identified during planning work

Audit findings identified during the planning work

We identified one issue during our 2024/25 planning work on the Council. We have agreed our recommendation with management and we will report progress on this recommendation in the Audit Finding Report.

Assessment	Issue and risk	Recommendation
Significant effect on financial statement	During our walkthrough for cash and cash equivalent, we noted that bank reconciliations had not been completed since June 2024 and had not been approved since May 2024. We inquired with the council as to the reasons for this and they explained it was a result of personnel changes resulting in a shortage of expertise, in addition to the introduction of the new IMS (Pay360) to replace P-Cash. The council plans to manage this delay prior to the fieldwork stage of the audit. We understand that a daily reconciliation of the cashbook has been undertaken throughout the period, which management views as a compensating action to mitigate the risk of incomplete bank reconciliations. From this issue, there is a risk that the lack of timely bank reconciliations could lead to potential errors or discrepancies in the cash and cash equivalent balances.	While we recognise the challenge faced by management in this area, we consider this to be a weakness in the council's control environment and recommend that management seeks to catch-up on reconciliations as swiftly as possible. We also recommend that management provide additional training and support for staff involved in bank reconciliations to address the shortage of expertise resulting from personnel changes. This could help ensure that staff are adequately equipped to perform timely and accurate reconciliations. **Management response** Noted. we have already made significant advances on the bank reconciliation process and timings and this continues to be the highest priority as part of closedown

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06 Progress against prior year audit recommendations

Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Council's financial statements, which resulted in 8 recommendations being reported in our 2023/24 Audit Findings Report. We have followed up on the implementation of our recommendations with management and they have stated that four have been addressed and the rest remains in progress. We will perform our own assessment of the progress made as part of our detailed work.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	The audit was delayed by the age and user-friendliness of the finance system as there is typically only one member of the finance team the Finance Systems Analyst/Administrator, who can integrate the system and pull-down financial reports. At the start of the audit, this individual was seconded to a project team to roll out a new income management system and therefore was not able to assist the finance team in providing reports to the audit team such as a trial balance and general ledger reports. We recommended that Management consider training for the finance team on how to download the appropriate reports needed for audit purposes.	Management has indicated that they are working with the principal technical accountant and the team to clarify who can support various tasks with some being transferred already. We will provide an update after completing our final audit of the accounts and include it in the Audit Findings Report.
Addressed	The PPE valuations were undertaken as at 31 December and therefore we challenged Management to confirm that the difference between the valuation date and the value in the financial statements is not material. We asked Management if any indexation exercise is undertaken. Management confirmed that no such exercise was performed. We therefore recommended that Management should consider completing an indexation exercise upon the valuations to obtain assurance that the values stated within the financial statements are not materially misstated.	Management confirmed that 2024/25 revaluations are now undertaken as at 31 March to eliminate this uncertainty. We will confirm this as part of our detailed work on PPE valuation.
In progress	During our work we noted that there are multiple codes within the trial balance where they do not relate to only one area of the balance sheet. For example, debtors and creditors were routinely posted to one nominal ledger code and manually split out at year end. We therefore had difficulty in reconciling account codes and listings in order to perform sampling. We recommended having trial balance codes which only relates to one area of the balance sheet and income statement in order to reduce the risk of financial misreporting.	Management has confirmed that this is being looked at as part of the new FMS system structure. We will provide an update after completing our final audit of the accounts and include it in the Audit Findings Report.

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	During our testing of payroll we checked a sample of starters, leavers and those employees who have changed roles within the year. Our testing noted that several of the forms we were provided with were not signed by the employee and/or their manager and one form was even signed with the wrong name and date. This was not in line with the Council's policies. We also noted that two of our samples related to members and upon investigation it was noted that there were no official starters and leavers process for Councillors. We therefore recommended to Management that: 1. The HR team are reminded of the importance of accurate and timely record keeping. 2. Consideration is given to whether a formal starters and leavers process should be introduced for members.	Management responded that it is not always practical or possible for leavers forms to be signed by the employee e.g. through dismissal. They have a process in place for Members who are starting at the Council. Notifications are made and communicated for those Members who leave and this process can be picked up by the internal audit of the Democratic services function currently taking place. The audit team will assess this during our final accounts work and include it in the Audit Findings Report.
Addressed	We obtained the listing for the REFCUS expenditure and selected 11 samples. For each sample, we documented the nature of the expenditure and agreed the nature and value of the expenditure to supporting evidence. We then assessed whether the item was correctly accounted for as REFCUS in line with the CIPFA Code. No issues were noted in our testing on the classification and value of REFCUS expenditure, however the expenditure for one of our samples was noted to have occurred in the prior financial period. We then challenged Management as to the inclusion of this expenditure in the financial year and noted that this was not recorded in the prior financial year and therefore needed to be included in the 2023/24 accounts. This was due to a timing issue and the accrual for this item was missed by Management when preparing the financial statements. We recommended that Management perform rigorous checks to ensure that all accruals are included within the financial statements at the year end.	Management has confirmed that they do prepare accruals in a very detailed way however, this item was a one-off issue which occurred.
In progress	A review of the journals download highlighted that the Director of Finance and the Deputy Director of Finance had been posting journals throughout the financial year. We therefore selected each of their journals to test to give us assurance over the management override of controls. In total, we therefore selected 113 journals to test, with 42 being posted by the Director of Finance and 43 by the Deputy Director of Finance. Posting of journals by the S151 was also raised as an issue in the prior audit. We recommended that the S151 Officer does not post journals.	Management has indicated that they are working with the new Head of Finance and Audit to transfer knowledge. We will provide an update on this issue following the completion of our final audit of the accounts and report it within the Audit Findings Report.

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	Our testing of journals also noted gaps in the sequential numbers of the journals posted. This is due to a manual numbering system being used and users “taking” journal numbers to use and then that number no longer being needed. We therefore recommended to Management that the numbering system for journals is reviewed and consideration is given to whether another more robust system could be implemented such that journal numbers remain sequential for audit trail purposes.	Management has confirmed that sequential numbering now works well. We will review this area at final as part of our detailed work on journals.
Addressed	We also noted that users can self-authorise their own journals. During our testing we noted that one of the journals posted by the S151 Officer had not been reviewed. We recommended that Management implement a robust system for ensuring that journals are reviewed before being posted to the ledger.	Management indicated that the CFO and Deputy CFO journals are checked. The CFO also receives downloads of all material journals in the year to check for validity. We will review this area at final as part of our detailed work on journals.
In progress (raised in 2020/21)	Recommendations made in the 2019/20 Audit Findings Report had not been actioned. These included: • Journals posted by S151 Officer • Electronic working papers • Fixed Assets Register During our 2023/24 audit procedures we noted that journals were posted by the S151 Officer. This action therefore remained open. However, we noted improvements have been made with regard to the production of electronic working papers.	Management has indicated that they are working with the new Head of Finance and Audit to transfer knowledge. We will provide an update following the completion of our final audit of the accounts and report it with the AFR.
Addressed (raised in 2020/21)	We recommended Management should consider documenting the reasons behind any future decisions to change Useful Economic lives of assets and that this documentation is retained by the Council for auditing purposes. We were unable to obtain supporting documentation for the Useful Economic Lives used during 2023/24 audit testing.	Management has confirmed that Estates team will document reasoning for useful lives of assets. We will review this area at final once our detailed work on PPE valuation begins.
In progress (raised in 2020/21)	We recommended Management to look to consider installing a modern accounting software that would bring efficiencies to Management and always interrogation by the Auditors.	A team has been set up to implement the new system.
In progress (raised in 2020/21)	We recommend that Management implement a system to ensure that there are no gaps in the numbers allocated to journals.	A team has been set up to implement the new system.
In progress (raised in 2020/21)	We recommend that Management develops a system to ensure that journal approvals are maintained.	A team has been set up to implement the new system.

07 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
P-FMS	Financial reporting	• ITGC assessment (design effectiveness only)
P-Assets	Fixed Asset System	• ITGC assessment (design effectiveness only)
iTrent	Payroll	• ITGC assessment (design effectiveness only)

In addition, due to the Council's implementation of a new income management system, Pay360, to replace P-Cash in October 2024, additional audit procedures will be conducted to mitigate the additional risks of material misstatement that have been identified.

IT application	Event	Relevant risks	Planned IT audit procedures
Income Management System & Payment Platform IMS (Pay360)	New system implementation	System functionality operates to design.	• Obtain an understanding of the process used for new system implementation and its relevant controls • Streamlined ITGC design assessment

08 Value for Money Arrangements

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

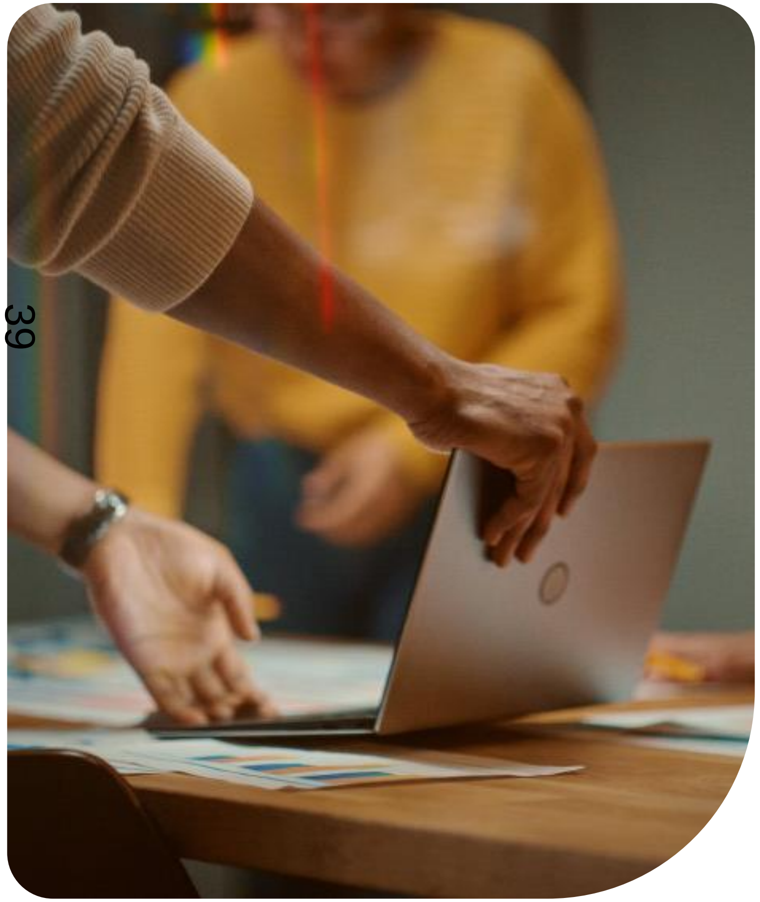
Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

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.

Risks of significant weakness in VFM arrangements (continued)

Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	R	One significant weakness raised in relation to decision making and high profile capital projects.	Risk of significant weakness in arrangements for decision making and high profile capital projects (relationships and performance). In 2023/24 £522,000 was written off when members were unable to support the decision to allocate capital spend to a cinema project.	We will consider whether there is evidence of similar issues in 2024-25. To assess whether there is evidence, we will consider: • Levels of slippage in the capital programme in 2024-25; • Reasons for any capital projects being suspended or significantly altered during 2024-25. • Progress with the Future High Street Funds projects overall; • Progress with other capital projects - namely PSDS, Broadmeadow and UK Shared Prosperity. See Row 41 below; and • Any significant changes made to the Future High Street Fund programme, projects and claims during 2024-25.
			One new risk of significant weakness identified in relation to the council's medium term financial planning. The Council anticipates budget deficits in 2025/26; 2026/27; and 2027/28. The Council has forecasted that a s114 could be needed by 2028/29 should no savings be identified.	Our work will include consideration of whether business rates rebasing has had an impact on the work of a budget task and finish group set up by the overview and scrutiny committee.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Risks of significant weakness in VFM arrangements (continued)

Risk assessment of the Council’s VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Governance	R	Three significant weaknesses identified, resulting in one statutory recommendation around member behaviour, and two key recommendations about decision making and governance processes	Two risks of significant weakness identified relating to standards of behaviour and incorrect governance processes.	We will consider whether there is evidence of similar issues in 2024-25. We will do this by: • Monitoring the implementation of our Statutory Recommendation from 2023-24; • Review of meeting minutes and meeting webcasts; • Review of complaints and whistleblowing in year; • Checks on membership of the Standards Committee; • Review of any other changes to the constitution in year; • Review of key decisions in year (and reversal of any such decisions in year); • Interviews with key officers and key members of the Council; • Inspection of the conflicts of interest audit results; • Review of progress with the Council's governance action plan adopted in October 2024; • Review of training provided to members in 2024-25; and • Review of outcomes of LGA Peer Review follow-up visit scheduled for February 2025.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Risks of significant weakness in VFM arrangements (continued)

Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Improving economy, efficiency and effectiveness	R	One risk of significant weakness reported in relation to decision making and high profile capital projects (the same as Financial Sustainability)	Risk of significant weakness in arrangements for decision making and high profile capital projects (relationships and performance). In 2023/24 £522,000 was written off when members were unable to support the decision to allocate capital spend to a cinema project.	As no risk additional of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

09 Logistics

Logistics

The audit timeline

Key Dates

Year end:
31 Mar 2025

Audit committee:
18 Jun 2025

Audit committee:
TBC - Jan 2026

Sign off:
TBC – Jan 2026

Audit phases:

Planning – 2 weeks
w/c 03 Feb 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management

Continuation of Planning – 2 weeks
w/c 31 Mar 2025

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates

Key elements

- Agree timetable and deliverables with management and Audit Committee
- Planning meeting with Audit Committee to discuss the Audit Plan
- Issue the Audit Plan to management and Audit Committee

Final – 9 weeks
w/c 01 Oct 2025

Key elements

- Audit teams onsite to complete fieldwork and detailed testing
- Weekly update meetings with management

Completion – 1 week
w/c 01 Dec 2025

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Audit Findings issued to Audit Committee
- Audit Findings presentation to Audit Committee
- Auditor’s Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Beth AC Bowers

Engagement Lead/
Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

Roz E Apperley

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Lordina Owusu-Donkor

Audit In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of other technical specialists to assist with Digital Audit requirements and VFM.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

10 Fees and related matters

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Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017 PSAA awarded a contract of audit for Teignbridge District Council to begin with effect from 2018/19. The scale fee set out in the PSAA contract for the 2024/25 audit is £159,588.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here Fee Variations Overview – PSAA

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Company	Final Proposed Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Teignbridge District Council Audit Scale Fee	144,930	159,588
ISA 315	9,415	Built into scale fee
2023/24 proposed additional fees (accounts & VFM)	120,830	
Objection	18,941	
Implementation of IFRS 16	-	TBC
Complex Accounting Considerations		TBC
Total (Exc. VAT)	**294,116**	**159,588**

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Previous year

In 2023/24 the scale fee set by PSAA was £144,930. The actual fee charged for the audit, subject to PSAA approval was £275,175 for the audit and £18,941 for objection work.

11 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no matters that we are required to report.

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the council's policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Teignbridge District Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat identified.

Assurance Service Fees

Service	Proposed Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefit - 2022/23 – on-going - 2023/24 – on-going - 2024/25 – None	10,500 11,100	Self-interest (because this was previously a recurring fee) Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work was £21,600 in comparison to the total fee for the audit 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. 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. The factual accuracy of our report, including representations from management, will be agreed with informed management.
Total	21,600		

This covers all services provided by us and our network to the council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

12 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

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13 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

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Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

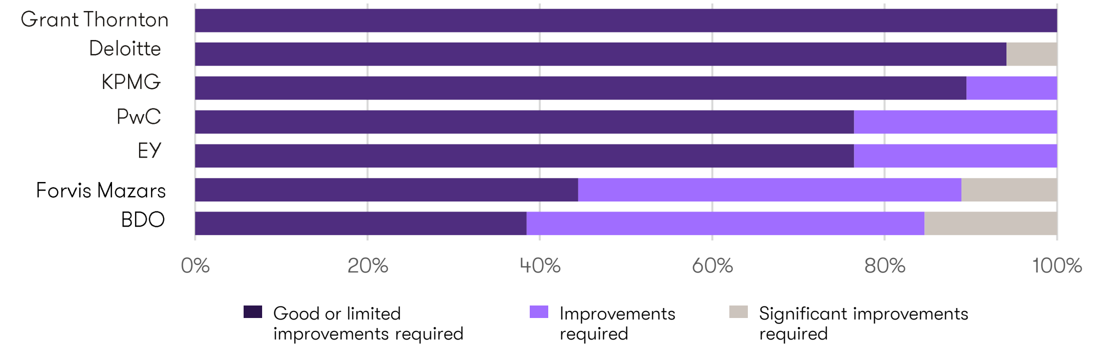
Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

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14 Appendices

Escalation Policy

The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Head of Corporate Services (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Managing Director (within one month of deadline)

- If the delay persists, we will escalate the issue to the Managing Director, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

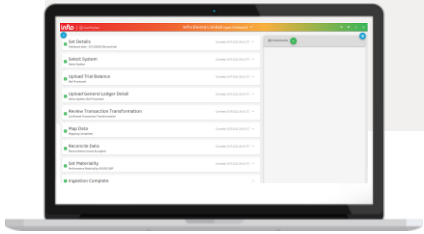
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

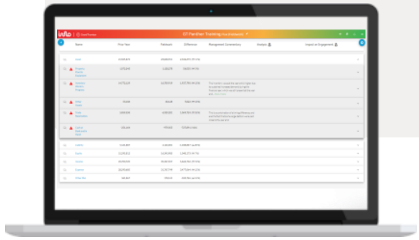


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement



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Teignbridge District Council
Audit Scrutiny Committee
18th June 2025
Part i

Strategic and Corporate Risk Report

Purpose of Report

To provide Members with an overview of the current status of the Strategic & Corporate risks.

Recommendation(s)

The Committee RESOLVES to:

(1) Note the actions being taken to reduce risks to the achievement of the council's objectives.

Financial Implications

As this is an advisory report there are no direct financial implications, however, the following strategic financial risks are included: ST02 Failure to control and manage finance and other risks including ST14 Fraud & corruption and ST24 Breach of finance and contract rules.

Martin Flitcroft
Director of Corporate Services
Email: Martin.Flitcroft@teignbridge.gov.uk

Legal Implications

No direct implications beyond effective risk management are key to meeting Council's legal duties.

Paul Woodhead
Monitoring Officer
Email: Paul.Woodhead@teignbridge.gov.uk

Risk Assessment

Effective risk management will aid decision making, focus and make better use of resources, provide a duty of care, comply with legislation, reduce costs, provide a continuity of service and reduce the risk of not meeting the council's objectives.

Amanda Pujol
Director of Customer Services and Transformation
Email: Amanda.Pujol@teignbridge.gov.uk

Environmental/ Climate Change Implications

There are no direct environmental and climate change implications due to this being an advisory report only, however, the following risks relating to Environment and Climate Change are included for monitoring:
ST31 – the impact of not reducing our energy use and contribution to CO_2. ST42 – Failure to deliver the council strategy. ST44 – Flood risk resilience. ST45 – Flood risk management.

William Elliot
Climate Change Officer
Email: william.elliott@teignbridge.gov.uk

Report Author

Tom Pearce
Email: thomas.pearce@teignbridge.gov.uk

Executive Member

Corporate Resources – Cllr John Parrott

Appendices/Background Papers

Appendix A – Risk report

PURPOSE

To provide Members with an overview of the current status of the Council's corporate and strategic risks.

BACKGROUND

There are 3 types of risk to manage, and these are:

Strategic Risks – these are the big issues that impact heavily on our service delivery or are fundamental changes in the district or something that may cause a lot of bad publicity. These risks are managed by Business Leads and Business or Service Managers.

Corporate Risks – also called 'common risks' because they apply to many sections of the Council, and we have corporate processes in place to deal with them e.g. Attacks on staff. These risks are also managed by Business or Service Managers.

Service Risks - These are risks and opportunities that apply primarily to a service and that generally won't have too many consequences on the rest of the Council. These are managed by Business or Service Managers and Team Leaders.

In addition, reports to decision makers (both Members and the Strategic Leadership Team) for major projects or service changes, should include an analysis of risks so these are considered when important decisions are made. These risks may be referred for inclusion in the Corporate or Strategic Risk Registers if they are likely to be significant issues.

Teignbridge .gov.uk

RISK OVERVIEW

There are currently 24 risks in the Strategic Risk register which are the risks we consider could impact heavily on our ability to deliver essential services and meet important objectives. In addition, there are 12 corporate risks, 'common risks', which apply to many sections of the council, and we have corporate processes in place to deal with them.

Of these 36 risks 3 have a very high unmitigated risk score 9 (3x3) i.e. the risk if we took no action to reduce the risk. The risk Responsible Officers have actions (mitigations) in place to reduce the risk scores.

The risk matrix below shows how many risks have very high (9), high (6), medium (3-4) or low (1-2) mitigated risk score, which considers the effectiveness of actions (mitigations) to reduce the risk.

- 0 risks have a high impact and high likelihood score of 9 (3x3)
- 3 risks have a medium impact and high likelihood score of 6 (2x3)
- 6 risks have a high impact and medium likelihood score of 6 (3x2)

Corporate & Strategic Risk Matrix – **Mitigated Risks**

Risk Likelihood	1 – Low	2 – Medium	3 - High
3 - High	No Risks	3 Risks ST41, ST40, CP11	No Risks
2 - Medium	No Risks	CP01, ST02, CP12, CP09, ST17, CP08, ST11, ST19, ST42, ST46, ST25	3 Risks ST29, ST08, ST32
1 - Low	CP05	ST14, CP13, CP07, ST24, ST31, ST06, ST28, CP14	ST26, CP16, ST37, ST43, CP15, CP17

Risk - Impact

Risk reviews

These are carried out by the risk Responsible Officer monthly for very high (9) risks, quarterly for high (6) twice a year for medium risk (3-4) risks and once a year for low (2) risks. This includes a review of each risk, its mitigations and risk impact and likelihood scores.

In addition to the regular reviews, meetings with the Risk Responsible officer and those managing the risk are held to review the scope of the risk, causes and impact, and mitigations in more depth.

RISK REPORTS

A report listing the Corporate & Strategic risks is provided as Appendix A

Details of those risks with 'Action needed' mitigations statuses or a very high mitigated status of 9, are provided below. The 'Action needed' statuses are colour coded to match the risk matrix above.

Risk: CP01 Attacks on Staff

Description: Failure to comply with Health and Safety Legislation leading to damage of property or equipment, loss, injury, or death of staff or public, risk of corporate manslaughter, prosecution, loss of reputation and high insurance costs.

Last reviewed: 12/05/25

Risk unmitigated status: 6 – high
Current mitigated status: 4 – medium (previous review was 6 – high)

Table of mitigations with actions needed:

Mitigation Status	Mitigation	Info
Action needed	Implementation of the Health & Safety Policy	All Managers to be responsible for implementing the Health & Safety Policy as detailed in respective health & safety procedures within the policy document
Action needed	Local procedures (Teams or Services)	To be developed and implemented by teams/services as they will have differing ways of implementing control measures they formulate resulting from risk assessment.
Action needed	Lone working procedure	Lone working procedure in place that includes the provision of mobile phones, personal attack alarms and lone worker record updating

Action needed	Staff training	Staff training program in place but will always need maintaining & review A Staff Induction programme in place. Training is included in the PDP process undertaken by line managers and should include training as identified by risk assessment.

Review note:
TDC H&S Policy identifies that managers are responsible for identifying H&S training needs and ensuring that provision is made, and training is refreshed on a regular basis to as to ensure competency. Training is typically a core mitigation in the risk assessments that managers are responsible for ensuring are in place and valid for the activities undertaken by their staff.

Training uptake is currently poor despite regular provision. This is leading to concerns re competency and the effectiveness of managers risk assessments and the protection/awareness of staff.

TDC Managers responsibility to Risk Assess the activities and locations for their staff is inconsistent in approach as there is no corporate oversight. The creation, adoption and effectiveness of local procedures might be creating omissions and or duplication. This will be improved by a Health and Safety management system when procured.

Risk: ST11 Failure to Comply with Health & Safety Legislation

Description: Failure to comply with Health and Safety Legislation leading to damage of property or equipment, loss, injury or death of staff or public, risk of corporate manslaughter, prosecution, loss of reputation and high insurance costs.

Last reviewed: 12/05/25

Risk unmitigated status: 9 – very high
Current mitigated status: 4 – medium (previous review was 4 – medium)

Table of mitigations with actions needed:

Mitigation Status	Mitigation	Info
Action needed	Adequate Health and Safety resources available	The Council makes available adequate time, money and resource for measures necessary for health and safety to be carried out.
Action needed	Risk assessments in place	Managers produce risk assessments and have access to advice from H&S Manager. H&S manager audits risk assessments as necessary
Action needed	Safety audits	Periodic H&S audits of teams and services based on hazard and risk carried out through self-assessment programme coordinated by H&S manager.

Review note:
The HR revised corporate induction has been well received. It is unclear yet if this leads the managers of the new starters to identify their H&S related training needs and also to share their relevant risk assessments with the starters.
A H&S Audit by the internal audit team has illustrated gaps in current and historical provision thus incurring risks re noncompliance and concerns re-awareness. There is now emphasis on designing out risk where possible & prudent. This longer-term approach needs to be combined with increased awareness for and on behalf of their staff by their TDC managers through training and accountability.
The requirement to provide suitable H&S Information, Instruction, Training & Supervision is defined in H&S Law. Training is offered in wide variety of formats and subjects, but there are concerns re the uptake of training and the follow through to ensure that learnings are implemented so as to ensure competency.
There is a need for improved oversight of the health and safety management across the council and capacity to undertake targeted audits to assess compliance. A Health and Safety Management System, when procured, will help address these issues.

Risk: ST32 Non-Compliance with Section 106 Agreements and CIL notices

Description: Non-Compliance with Section 106 Agreements and CIL notices

Last reviewed: 28/05/25

Risk unmitigated status: 4 – medium
Current mitigated status: 4 – medium (previous review was 4 – medium)

Table of mitigations with actions needed:

Mitigation Status	Mitigation	Info
Action needed	Legal Follow up of non-payment	Where CIL payments are not made, notice is given that cost recovery action will be taken, and files are handed to legal colleagues to instigate necessary proceedings
Action needed	Meetings with departments	Ongoing meetings with departments regarding spending of money
Action needed	Monitor monies received from time constrained S106 agreements	Spread sheet provided by accountants used to monitor monies received and discuss with departments at meetings

Review note:
S106 - Teignbridge has collected S106, including through new and older planning permissions. Some of these are substantial sums but for very specific projects. Where these projects have not progressed, there is an increasing risk that TDC may be asked to return substantial funds with interest to developers. This also carries reputational risk, meaning the impact is high.

Some speculative companies are using widespread FOI to attain this information and are actively working on behalf of clients to get unspent S106 back.
TDC need to invest in adding all relevant S106 records into the Exacom system which will allow easier tracking. There are over 600 S106 agreements, of which over 200 have complex requirements that need automated tracking. The S106 / CIL officer does not have capacity to do this without automation.

Future CIL investment needs planned spending via a comprehensive review of the Capital Programme. This is underway. Increased engagement with Town and Parish Councils will also look to align infrastructure investments.

In a very small number of cases Legal may be forced to take legal action against landowners where S106 and/or CIL has not been paid. This carries high risk as in some cases the homes have been sold some the landowners are owners of new homes. Preventing this in the future through improved monitoring, Stop notices and earlier legal action during construction is essential.

Risk: ST40: Local Plan – Infrastructure Delivery Delay

Description: Infrastructure delay; risk of not delivering infrastructure as per the Infrastructure Delivery Plan required for the successful delivery of the commitments in the Local Plan.

Last reviewed: 07/03/25

Risk unmitigated status: 6 – high
Current mitigated status: 6 - high (previous review was 6 – high)

Table of mitigations with actions needed:

Mitigation Status	Mitigation	Info
Action needed	S.106 and Planning Conditions	Section 106 Agreements and Planning Conditions to be used.

Review note:
The IDP contains more infrastructure than TDC can fund including through planning obligations (S106, CIL) and other sources. Staff capacity for delivery is limited. Therefore, must accept need to prioritise.
We are receiving more FOI's concerning unspent S106. These are used by private companies to seek to recoup unspent S106 for developers. It is important that S106 is clearly linked to a plausible project, and that spending timelines allows us 10 years to spend S106, as very often we need to 'save' cumulative S106 and CIL and secure grant to fund larger infrastructure which takes time.

Risk: ST41: Local Plan – Planned Development Delayed or Not Happening

Description: Planned development is delayed or does not happen due to an economic downturn, infrastructure provision delay, unexpected delivery costs, landowners sitting on land and developers having different priorities. This could lead to a loss of New Homes Bonus, shortage of employment growth, an impact on Business rate retention, an out-of-date local plan and under-delivery of the 5-yr supply leading to a possible loss of appeals

Last reviewed: 07/03/25

Risk unmitigated status: 6 – high
Current mitigated status: 6 - high (previous review was 6 – high)

Table of mitigations with actions needed:

Mitigation Status	Mitigation	Info
Action needed	Achievable Allocations	Ensure allocations are achievable and available in plan preparation.
Action needed	Work with Developers, Landowners, Councillors and other Stakeholders	Work with developers, landowners, councillors and other stakeholders to encourage development.

Review note: Completion rates have been below target for now 4 years in a row, with a cumulative shortfall against (720) target of about 800 homes.

Completion rates remain below expected in 2024/25 based on preliminary data. Once the new Local Plan is adopted delivery will improve (subject to macro economic conditions) by increasing certainty, and through more efficient development management decisions. However, quite a few broader factors (interest rates, development costs) may keep both demand and supply sluggish.

On the positive side, the Local Plan was submitted on 14 March 2024 and examination took place from 17 September 2024 - 21 November 2024. Some weight is therefore added to new Local Plan sites so should increase confidence and therefore delivery from developers to help support five year land supply and delivery. Consultation on Inspectors Main Mods will be in Summer 2025.

It is also important that in any plan update, we look at both sub-regional planning (with Exeter/Torbay/East Devon/Mid Devon/South Hams/Dartmoor), and also seek to maintain our 5 YHLS by allocating many smaller sites (10-200) right across the district including in all towns and villages, as by and large, these get build out much quicker.

Meanwhile we will keep the Housing Delivery Action Plan under review and consider options and actions for unlocking stalled sites, notwithstanding the fundamental point that the market absorption rate in Teignbridge has always been and will likely always be about 600-700 homes

Risk: ST42: Failure to deliver the Council Strategy

Description: Failure to deliver the key objectives and outcomes of the Council Strategy due to: no money to deliver, no capacity to deliver, a loss of political willingness, change of political direction – local and national, a change of view and priorities by our partners, loss of key staff and local intelligence, unreliable data leading to poor decisions & direction, a lack of engagement of staff, unforeseen issues outside of our control, , too broad a spread of actions, poor leadership, poor planning, governance and monitoring of performance leading to: missed opportunities, moving out of scope of the project, duplication, lost opportunities due to sole focus on the strategy objectives, a loss of reputation, customer satisfaction and trust, unplanned changes, a lack of co-ordination and direction and the risk of over promising and under delivering.

Last reviewed: 29/05/25

Risk unmitigated status: 6 – high
Current mitigated status: 4 - medium (previous review was 4 – medium)

Table of mitigations with actions needed:

Mitigation Status	Mitigation	Info
Action needed	Budget planning	Financial monitoring of each T10 and inclusion in the annual budget planning cycle to set a balanced budget and clear funding for priority areas / projects
Action needed	Ensure adequate staff resources	Adequate staff to be maintained to deliver the key objectives of the strategy
Action needed	Project planning	Project management by the Business Transformation team. Systems & procedures in place to ensure effective forward planning, evidence gathering, monitoring of outcomes etc.

Review note: The new One Teignbridge Council Strategy was adopted in January 2025 and sets out new priority areas for the organisation. There are groups either already established, or in the process of being established to help secure partnership delivery of the One Teignbridge strategy. The Action Plan which is a live document sitting underneath the strategy is currently under review and will hopefully be adopted in October 2025. Ongoing work is required to ensure that there are sufficient resources in place to review future iterations of the Strategy and ensure effective performance and risk monitoring. These are being addressed as part of the Phase 2 restructure.

Major projects/service changes

The current major council projects are listed in the table below, which provides assurance that project risks have been assessed, and registers or strategic risks are in place and being managed.

The One Teignbridge Transformation Board meets monthly to review major systems and the digital platform projects. This includes a review of the project risk registers. The Capital Review Group meets every other month to review projects in the capital programme including key risks and issues.

T10	Project	Service	Responsible Officer	Current Risk Register
VVC	Modern 25 Programme	Business Transformation	Amanda Pujol	Yes
VVC	Modern 25 Strategic Portfolio	Business Transformation	Sarah Knight	Yes
VVC	Financial Management System	Finance	Martin Flitcroft	Yes
CS	Fleet Decarbonization	Waste & Recycling	Chris Braines	Yes
IIP	UK Shared Prosperity Fund	Economy	Alex Lessware	No register, but comprehensive issues log is actively used for programme
AROOH	Local Authority Housing Fund: Refugee Accommodation	Housing	Graham Davey	Yes
IIP	Dawlish link road and bridge	Spatial Planning	Charles Acland	Yes
IIP	Ridgetop Countryside Park	Green Spaces & Active Leisure	Estelle Skinner	Yes
IIP	Future High Street Fund project: Market Improvements	Economy	Tom Phillips	Yes
OAA	Broadmeadow Sports Centre Decarbonisation Phase 2 and Refurbishment	Leisure	James Teed	Yes
IIP	Future High Street Fund project: Gateway to the Town Centre and Queen Street	Economy	Tom Phillips	Yes
IIP	George Street Car Park	Economy	Tom Phillips	Yes

AROOH	Teignbridge 100: Social/Affordable housing - Sherborne House	Housing	Graham Davey	Yes

ALTERNATIVE OPTIONS

None, risk management is a mandatory function of the Council.

CONCLUSION

Effective risk management will aid decision making, focus and make better use of resources, provide a duty of care, comply with legislation, reduce costs, provide a continuity of service and reduce the risk of not meeting the council's objectives.

Risk status report for AS

Annual report for 2024/25 and 2024
No headings
Filtered by Prefix: Include Risk Prefix: ST, CP

Key to Performance Status:

Risks: **Review overdue (0+)** **Very High (9+)** **High (6+)** **Medium (3+)** **Low (1+)**

Risk status report for AS

Risks

Status	Code	Title	Risk Impact	Risk Likelihood	Executive Member	Risk Responsible Officer
High (6)	CP11	**Breach of Code of Conduct by Members**	2 - Medium	3 - High	Corporate Resources	Paul Woodhead
High (6)	ST29	**Failure to maintain sufficient management capacity & capability**	3 - High	2 - Medium	Strategic Direction	Neil Blaney, Gordon Bryant, Martin Flitcroft, Amanda Pujol
High (6)	ST17	**Inability to Recruit and Retain Staff**	3 - High	2 - Medium	Corporate Resources	Tim Slater
High (6)	ST08	**Economic Uncertainty**	3 - High	2 - Medium	Business, Economy and Tourism	Neil Blaney, Gordon Bryant, Martin Flitcroft
High (6)	ST20	**Poorly Managed Election**	3 - High	2 - Medium	Corporate Resources	Cathy Ruelens
High (6)	ST41	**Local Plan - Planned Development Delayed or Not Happening**	2 - Medium	3 - High	Planning	Alex Lessware, Helen Williams
High (6)	ST40	**Local Plan - Infrastructure Delivery Delay**	2 - Medium	3 - High	Planning	Alex Lessware
High (6)	ST42	**Failure to deliver the Council Strategy**	3 - High	2 - Medium	Strategic Direction	Michelle Luscombe, Philip Shears
High (6)	ST45	**Flood risk resilience**	3 - High	2 - Medium	Waste Management and	Neil Blaney, Richard Rainbow

Risk status report for AS

Risks

Status	Code	Title	Risk Impact	Risk Likelihood	Executive Member	Risk Responsible Officer
					Environmental Health	
Medium (4)	CP01	**Attacks on Staff**	2 - Medium	2 - Medium	Corporate Resources	Paul Nicholls, Charles Perryman
Medium (4)	ST02	**Failure to control and manage finance**	2 - Medium	2 - Medium	Corporate Resources	Gordon Bryant, Martin Flitcroft
Medium (4)	CP09	**Staff health and wellbeing (was Staff Absence/Stress/Morale)**	2 - Medium	2 - Medium	Corporate Resources	Tim Slater
Medium (4)	CP08	**Future proofing the workforce (was Failure to Improve Staff Capability and Capacity)**	2 - Medium	2 - Medium	Corporate Resources	Tim Slater
Medium (4)	ST25	**High Levels of Customer Dissatisfaction**	2 - Medium	2 - Medium	Corporate Resources	Tracey Hooper, Emma Ingle, Amanda Pujol
Medium (4)	ST19	**Poor or Ineffective Business Continuity Management**	2 - Medium	2 - Medium	Corporate Resources	Neil Blaney, David Eaton
Medium (4)	CP12	**Breach of Code of Conduct by Staff**	1 - Low	2 - Medium	Corporate Resources	Tim Slater
Medium (4)	ST32	**Non Compliance with Section 106 Agreements and CIL notices**	2 - Medium	2 - Medium	Planning	Neil Blaney, Alex Lessware
Medium (4)	ST11	**Failure to Comply with Health & Safety Legislation**	2 - Medium	2 - Medium	Corporate Resources	Paul Nicholls, Charles Perryman
Medium (4)	ST46	**Failure of ICT security measures leading to a cyber attack**	2 - Medium	2 - Medium	Corporate Resources	Sue Heath, Amanda Pujol

Medium (3)	ST37	**Failure of ICT infrastructure and systems not meeting business needs or not being fit for purpose**	3 - High	1 - Low	Corporate Resources	Amanda Pujol
Medium (3)	ST44	**Flood risk management**	3 - High	1 - Low	Waste Management and Environmental Health	Neil Blaney, Richard Rainbow
Medium (3)	ST43	**Failure to adopt Teignbridge Local Plan**	3 - High	1 - Low	Planning	Neil Blaney, Alex Lessware, Michelle Luscombe
Medium (3)	CP15	**Project management**	3 - High	1 - Low	Corporate Resources	Sarah Knight
Medium (3)	ST26	**Poor Public Relations Management**	3 - High	1 - Low	Strategic Direction	Julia Hulland
Medium (3)	CP16	**Lack of Effective Risk Management**	3 - High	1 - Low	Corporate Resources	Sarah Knight
Medium (3)	CP17	**Health and Safety Compliance for Housing Stock**	3 - High	1 - Low	Communities, Housing & IT	Graham Davey
Low (2)	ST14	**Fraud and Corruption**	2 - Medium	1 - Low	Corporate Resources	Sue Heath
Low (2)	CP07	**Failure to Collect or Loss of Income**	2 - Medium	1 - Low	Corporate Resources	Sue Heath
Low (2)	ST24	**Finance - Breach of Financial Instructions & Contract Rules**	2 - Medium	1 - Low	Corporate Resources	Gordon Bryant, Martin Flitcroft, Philip Shears
Low (2)	ST09	**Inadequately prepared to manage the impacts of a major emergency in the District**	2 - Medium	1 - Low	Waste Management and Environmental Health	David Eaton
Low (2)	ST06	**Statutory Requirements Not Met**	2 - Medium	1 - Low	Corporate Resources	Paul Woodhead
Low (2)	CP14	**Non-compliance with Data Protection Legislation**	2 - Medium	1 - Low	Corporate Resources	Sue Heath
Low (2)	ST28	**Major damage to our physical premises and/or working environment**	2 - Medium	1 - Low	Corporate Resources	David Eaton
Low (2)	ST31	**Climate Change - the impact of not reducing our energy use and**	2 - Medium	1 - Low	Waste Management and	David Eaton

		contribution to CO2 emissions			Environmental Health	
Low (2)	CP13	**Safeguarding**	2 - Medium	1 - Low	Corporate Resources	Rebecca Hewitt
Low (1)	CP05	**Contractor Poor Performance/Failure**	1 - Low	1 - Low	Corporate Resources	Rosie Wilson

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Teignbridge District Council

Audit Scrutiny

18 June 2025

Part 1

INTERNAL AUDIT ASSURANCE RATINGS

Purpose of Report

To advise members of the updated assurance ratings to be used in internal audit work undertaken from 2025-2026 onwards.

Recommendation(s)

The Audit Scrutiny Committee is recommended to note the report.

Financial Implications

None.

Legal Implications

None. The Accounts and Audit Regulations and the Global Internal Audit Standards (GIAS) provide the framework for internal audit in the public sector. The Accounts and Audit Regulations are not prescriptive on assurance opinions.

The GIAS state:

> "*Assurance engagement conclusions must include the include the auditor's judgement regarding the effectiveness of the governance, risk management, and/or control processes of the activity under review, including an acknowledgement of when processes are effective"*

> *"Methodologies for the audit function may provide a rating scale indicating whether reasonable assurance exists regarding the effectiveness of controls. For example, a scale may indicate satisfactory, partially satisfactory, needs improvement, or unsatisfactory…"*

Risk Assessment

The proposed change aims to improve the communication of the level of confidence in the effectiveness of governance, risk management, and control processes.

Environmental / Climate Change Implications

None.

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Executive Member

Councillor John Parrott – Executive Member for Finance and Corporate

1. INTRODUCTION / BACKGROUND

1.1 Internal audit reports provide an opinion on the risks and controls of the area under review, which then feed in to the mandatory annual opinion on the overall adequacy and effectiveness of governance, risk and control across the Council.

1.2 The Teignbridge internal audit team currently use a grading system of "Excellent", "Good", "Fair", and "Poor".

1.3 The introduction of the new GIAS mentioned above, was considered a timely point to review the approach used. Although GIAS do not mandate a particular or specific rating system, the Chartered Institute of Public Finance Accountants (CIPFA) have previously issued guidance which we propose to follow.

1.4 Adopting CIPFA's recommended assurance opinions also brings us into line with other Devon councils which is practical in view of the impending local government reorganisation

1.5 Current assurance ratings:

Key to Assurance Opinions:		
Excellent	✡✡✡✡	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	✡✡✡	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.
Fair	✡✡	Basic control framework in place, but most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and require controls to be strengthened to achieve system objectives.
Poor	✡	Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

CIPFA recommended (and our proposed) assurance ratings:

Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	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.
Limited Assurance	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.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

1.6 The full CIPFA guidance is appended to this report for further information if required. Please note this was published prior the new Global Internal Audit Standards and therefore references the previous Public Sector Internal Audit Standards, but is still considered relevant.

1.7 The Council's Strategic Leadership Team have been consulted on, and supported the changes as set out.

2. CONCLUSION

2.1 Members are asked to note the new assurance ratings, which will provide consistency across Devon.