

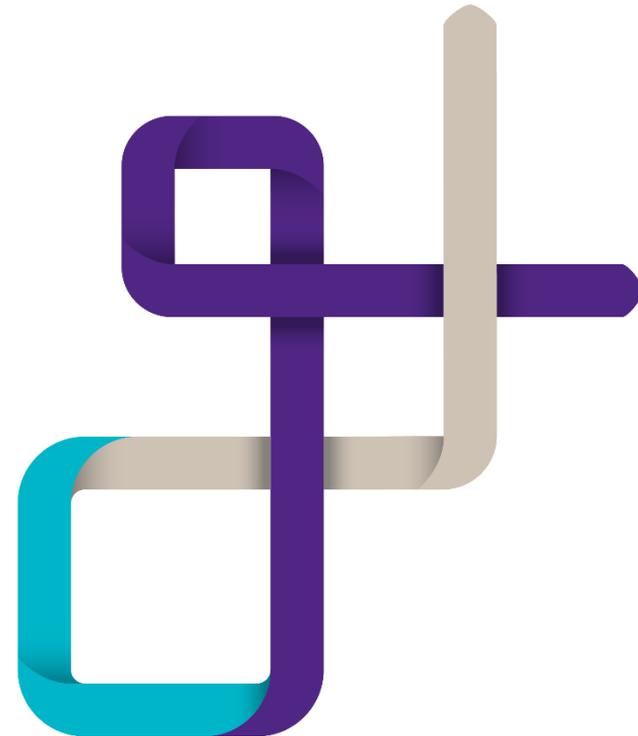


Audit Findings

Year ending 31 March 2018

Teignbridge District Council

10th July 2018



Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key issues arising from the statutory audit of Teignbridge District Council Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council's financial statements give a true and fair view of the Council's financial position and of the group and Council's expenditure and income for the year, and have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised in this report. We have not identified any adjustments to the financial statements. We have raised one recommendation for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing our audit opinion following the Council meeting on 30 July 2018. These outstanding items, as at 10th July, include:</p> <ul style="list-style-type: none"> - Journals; - Other Revenues and Debtors; - Grant income; - Pension assurance letter; - Review of consolidation computations; - Receipt of Strata signed accounts; - receipt of management representation letter; and - review of the final set of financial statements - Whole of Government accounts certificate.. <p>We have yet to conclude on whether the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.</p> <p>A verbal update will be provided at the Audit Scrutiny Committee on 19 July.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion') 	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Teignbridge District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised in this report.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audit 	<p>We have not exercised any of our additional statutory powers or duties.</p>

Acknowledgements

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

Summary

Overview of the scope of our audit

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

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved we anticipate issuing our opinion following the Council meeting on 30 July 2018.

Summary (continued)

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.

Our assessment of the value of Materiality has been adjusted to reflect the fact that Gross expenditure is higher than we anticipated at planning. We detail in the table below our assessment of materiality for Teignbridge District Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,370k (planning 1,207k)	<p>We have based our materiality calculation at 1.8% of operating expenditure, having taken account of:</p> <ul style="list-style-type: none"> The Council operates in a relatively stable, publicly funded business environment; It's operations are less complex and only a few core business processes are in place; and the services are all publicly funded.
Performance materiality	1,027k (planning 905k)	<p>Set at 75% of materiality as a result of:</p> <ul style="list-style-type: none"> no misstatements were identified in prior periods; there is consistency in the accounting system; internal controls are designed effectively; and Indicators of higher fraud risk are not present.
Trivial matters	68k (planning 60k)	<p>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.</p>
Materiality for specific transactions, balances or disclosures		<p>We design our procedures to detect errors in specific accounts at a lower level of precision. We have not identified the following items where separate materiality levels are appropriate:</p> <ul style="list-style-type: none"> Remuneration report – we will review all disclosures in excess of £100,000 Related Party Transactions where we will apply materiality of £100,000 Exit packages will be looked at only where they relate to anyone that is disclosed in the annual report.

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Teignbridge District Council, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for Teignbridge District Council.

2

Management override of controls

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

The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.

Management over-ride of controls is a risk requiring special audit consideration.

As part of our audit work we have:

- reviewed accounting estimates, judgements and decisions made by management
- tested journal entries
- reviewed unusual significant transactions
- reviewed significant related party transactions outside the normal course of business]

Our audit work has not identified any evidence of management over-ride of controls. However, our work on the review of journal controls, testing of journal controls and testing of journal entries is not yet complete.

We set out later in this section of the report our work and findings on key accounting estimates and judgements.

Significant audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of property, plant and equipment

The Council revalues a proportion of its land and buildings annually, and ensures all assets are revalued within a five year cycle, to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.

We have:

- reviewed management's processes and assumptions for the calculation of the estimate;
- reviewed the competence, expertise and objectivity of any management experts used;
- reviewed the instructions issued to valuation experts and the scope of their work;
- discussed with the Council's valuer the basis on which the valuation was carried out, challenging the key assumptions;
- reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding;
- Tested the revaluations made during the year to ensure they were input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.

Our work has not identified any material issues in the area.

4

Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

We have:

- Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.
- Reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.
- Undertaken procedures to confirm the reasonableness of the actuarial assumptions made.
- Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.

Our work has not identified any material issues in the area.

Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary
<p>1 Employee remuneration</p> <p>As the payroll expenditure comes from a number of individual transactions and represents a significant percentage (50%) of the Council's operating expenses (net of Housing Benefits) there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We have:</p> <ul style="list-style-type: none"> • documented the processes and key controls over the transaction cycle; • undertaken a walkthrough of the key controls to assess the whether those controls were in line with our understanding; • reconciled the payroll ledger to the general ledger; • undertaken a predictive analytical review; and • undertaken a substantive test a sample of remuneration transactions throughout the year. <p>Our work has not identified any material issues in the area.</p>
<p>2 Operating expenses</p> <p>Non-pay expenses on other goods and services also represents a significant percentage (50%) of the Council's operating expenses (net of Housing Benefits). Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We have</p> <ul style="list-style-type: none"> • documented the processes and key controls over the transaction cycle; • undertaken a walkthrough of the key controls to assess the whether those controls were in line with our understanding; • reviewed estimates, judgements and decisions made by management for unusual and large accruals; • substantively testing of operating expenditure; and • tested the cut-off of expenditure including a review of after date payments to ensure all liabilities had been accounted for in the correct period. <p>Our work has not identified any material issues in the area.</p>

Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
<p>① Going concern</p> <p>As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.</p>	<p>Our going concern review is not yet concluded.</p> <p>However, In only exceptional circumstances would we expect a local authority not to prepare its accounts on a going concern basis as it requires primary legislation to dissolve a local authority.</p>	<p>The preparation of the financial statements on a going concern basis is appropriate.</p>
<p>② Coastal defence expenditure</p>	<p>Our work on the categorisation of REFCUS expenditure is still to be concluded.</p>	<p>There is no impact on the accounts as the expenditure is fully funded from grants. Therefore the only principle to resolve is whether the entries need to be reflected in the Movement in Reserves Statement.</p>

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The council has policies for Revenue recognition that cover</p> <ul style="list-style-type: none"> Revenue from the sale of goods Revenue from the provision of services Interest receivable Revenue from council tax and business rates. 	<p>The policies are:</p> <ul style="list-style-type: none"> appropriate under the Local Authority Accounting code of Practice (the code); adequately disclosed in the accounting policies; consistent with the code; and have been applied appropriately. 	<p> Green</p>
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Useful life of PPE Revaluations and impairment of PPE Accruals Provision for NNDR appeals Valuation of pension fund net liability 	<p>We have reviewed the Council's Judgements and estimates and concluded that these are reasonable in respect of the financial statements and the disclosure of financial position of the Council. We would comment as follows:</p> <ul style="list-style-type: none"> We considered the assumptions made by the Council's valuer as reasonable for Teignbridge. The Council's accruals process at year end is appropriate. The estimation of possible NNDR appeals is reasonable. <p>Our work has not identified any material issues in the area.</p>	<p> Green</p>
Other critical policies		<p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.</p>	<p> Green</p>

Assessment

 Marginal accounting policy which could potentially be open to challenge by regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

Issue	Commentary
① Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Scrutiny Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit. We will update our understanding of management's arrangements at the Committee.
② Matters in relation to related parties	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
③ Matters in relation to laws and regulations	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
④ Written representations	A standard letter of representation has been requested from the Council.
⑤ Confirmation requests from third parties	We requested from management permission to send confirmation requests for Bank and Investment balances. This permission was granted and the requests were sent. We also requested the audited accounts for Strata solutions Limited, these are still awaited from the Company's auditors.
⑥ Disclosures	Our review found no material omissions in the financial statements. We have agreed some minor disclosure amendments, which management have included in the final statements.

Other responsibilities under the Code

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

Issue	Commentary
<p>① Other information</p>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work on the other information published together with the audited financial statements is still incomplete.</p>
<p>② Matters on which we report by exception</p>	<p>We have not identified any issues we would be required to report by exception in the following areas</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading. <p>Our work on the other information published together with the audited financial statements is still incomplete.</p>
<p>③ Specified procedures for Whole of Government Accounts</p>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>We have yet to submit our work on Whole of Government Accounts.</p>
<p>④ Certification of the closure of the audit</p>	<p>We intend to certify the closure of the 2017/18 audit of Teignbridge District Council in our audit opinion.</p>

Internal controls

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>①</p> <p>●</p> <p>Amber</p>	<p>The Fixed Asset Register does not contain a date of last valuation and reliance is placed on the estates team to tell finance which assets require valuing on an annual basis. The Estates team includes the value that is used and therefore there is a risk that assets will not be valued in the appropriate timeframe to comply with the 5 year rolling programme.</p>	<p>The Fixed Asset Register should be updated to reflect the last valuation date of the assets in order to ensure that the Section 151 officer can obtain assurances over the rolling programme of assets as this is his responsibility.</p> <p>Management response</p> <p>The Estates team have controls in place to identify assets not valued and run reports from P-ASSETS to determine valuations due. Finance also run a report separate to the Finance asset spreadsheet to determine assets not valued. Production of note 14 and values in the rolling programme table confirms all asset values captured. All high value assets are also reviewed every year. No further action required.</p>

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Value for Money

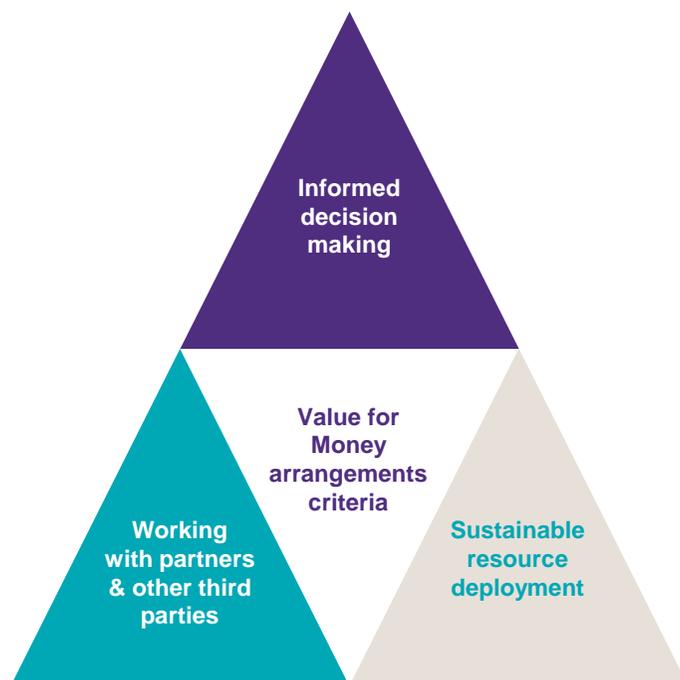
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February and March 2018 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 22 March 2018.

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



Strategic financial planning – sustainable resource deployment

The Council's medium term revenue budget summary shows the Council will require £217,000 of its reserves to Balance the budget in 2020/21. The Revenue Support Grant will have been cut to zero by 2018/19 and overall the Council faces a 12% cut in cash income in each of the three years. Identification and delivery of the required efficiencies will need careful management.

We will review the Council's arrangements for putting together and agreeing its medium term financial plan, including identification of savings plans; and its arrangements for monitoring and managing delivery of its budget and savings plans for 2017/18 and beyond.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

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

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, we reviewed the Council's arrangements for putting together and agreeing its medium term financial plan, savings plans; and the arrangements for monitoring and managing delivery of its budget and savings plans for 2017/18 and beyond.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 16.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant matters discussed with management

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

Key findings

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

	Significant risk	Findings	Conclusion
1	<p>The Council's medium term revenue budget summary shows the Council will require £217,000 of its reserves to Balance the budget in 2020/21. The Revenue Support Grant will have been cut to zero by 2018/19 and overall the Council faces a 12% cut in cash income in each of the three years. Identification and delivery of the required efficiencies will need careful management.</p>	<p>At 31 March 2018, the council finds itself in a good financial position with an increase in General Fund balances of £3.5m in 2017/18 although a £2.1m of this resulted from windfall gains.</p> <p>The general reserves at the end of the year were at £1.9 million against an estimate of £1.64 million, which is a positive sign. Earmarked reserves increased from £7.8m to £11m.</p> <p>The Revenue Support Grant will have been cut to zero by 2019/20 and the council seem to be preparing well for the reduction and eventual disappearance of the revenue support grant through initiatives such as the business rates pilot scheme. Nevertheless, further savings will need to be made post 2020.</p> <p>The Council's executive receives budget monitoring reports at set times through the year.</p>	<p>Auditor view</p> <p>The Council is not currently experiencing difficulties in achieving its financial plans. However, the Council is forecasting an increase in pressures in future years. Regular monitoring will be needed to ensure the Council remains on track to achieve its financial plans.</p>

Independence and ethics

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services have been identified

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant (2016/17 fee)	7,098	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,098 in comparison to the total fee for the audit of £48,363 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.
Non-audit related			
Non-audit services			
Governance at Heart of the SW LEP	35,750	Y	The work was carried out for the Heart of the South West LEP has been undertaken, by a separate team, Independent of the Audit team. The work was commissioned and billed to Somerset County Council. We are obliged to inform you of this work.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Council. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Action plan

We have identified one recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1	 <p>The Fixed Asset Register does not contain a date of last valuation and reliance is placed on the estates team to tell finance which assets require valuing on an annual basis. The Estates team includes the valuer that is used and therefore there is a risk that assets will not be valued in the appropriate timeframe to comply with the 5 year rolling programme.</p>	<p>The Fixed Asset Register should be updated to reflect the last valuation date of the assets in order to ensure that the Section 151 officer can obtain assurances over the rolling programme of assets as this is his responsibility.</p> <p>Management response</p> <p>The Estates team have controls in place to identify assets not valued and run reports from P-ASSETS to determine valuations due. Finance also run a report separate to the Finance asset spreadsheet to determine assets not valued. Production of note 14 and values in the rolling programme table confirms all asset values captured. All high value assets are also reviewed every year. No further action required.</p>

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2016/17 financial statements, which resulted in 4 recommendations being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	<p>No Proactive Reviews of User Access</p> <p>Proactive reviews should occur regularly, especially in times of change, to ensure that users exist and only have access to services, devices or data that they require in their role.</p>	<p>'Access' report to be set up on a monthly basis to review changes in conjunction with notification from HR & Strata re post changes. We will also investigate an access right reset process with Strata.</p>
2 ✓	<p>Journals</p> <p>The instruction that all journals voided or not input are required to be filed and the hard copy shown in the paper file should be emphasised to all input staff.</p>	<p>All staff to be emailed to ensure void journals are filed in the manual files.</p>
3 ✓	<p>Journal Authorisation</p> <p>Key decision makers should not have the ability to directly input journals into the system</p>	<p>A small finance team necessitates the requirement for all members of the team to input journals at particular times of the year. The level of input is mitigated by other officers in the finance team processing the majority of these journal entries and all large journal entries being reviewed by the Finance Manager and one other Accountant for accuracy and validity throughout the year.</p>
4 ✓	<p>Strategic financial planning – sustainable resource deployment</p> <p>Forward planning needs to set out the annual savings programme in a manner that allows the achieved savings to be monitored against plans. Management need to ensure that they monitor this through regular reporting.</p>	<p>This process is already in place through regular reporting to CLT(E), Executive, monitoring our Medium Term Financial Plan, the annual BEST2020 review and follow up on savings/pressures identified and the annual Council Tax setting process.</p>

Assessment

- ✓ Action completed
- ✗ Not yet addressed

Audit Adjustments

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

Impact of adjusted misstatements

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

Detail	Total comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
1 None identified at this point in time	0	0	0
Overall impact	£0	£0	£0

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements	Amended
1 Disclosure	n/a	Cash & cash equivalent	The Draft accounts included a short term investment of £2.1m as Cash.	Y

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Audit Scrutiny Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 None identified				
Overall impact	£0	£0	£0	

Fees

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

Audit Fees

	Proposed fee	Final fee
Council Audit	48,363	48,363
Grant Certification Certification of Housing capital receipts grant (2017/18 fee set by PSAA)	5,478	TBA
Total audit fees (excluding VAT)	£53,841	

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)
Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.

Non Audit Fees

Fees for other services	Fees £'000	
Audit related services: Certification of Housing capital receipts grant (2016/17 fee)	7,098	
Non-audit services Governance at Heart of the SW LEP	35,750	The work was commissioned and billed to Somerset County Council. We are obliged to inform you of this work.
	£42,848	



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