The Audit Findings for Teignbridge District Council

Year ended 31 March 2021

22 March 2024

Contents

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

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

Julie Masci

Julie Masci

For Grant Thornton UK LLP

22 March 2024

1. Headlines

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

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work commenced in August 2021 and concluded in December 2023. We have encountered challenges during the audit due to the continued use of scanned documents and limited digital audit working papers. The financial system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used.

Restrictions for non-essential travel due to the Covid pandemic meant both Council and audit staff have had to adapt to ensure we have gained sufficient audit evidence for the entries within the financial statements. This has meant a greater reliance on video calling for many aspects of the audit, particularly in terms of the use of sharing of screens to watch transaction listings being run. Where information is normally provided in a spreadsheet format, we have undertaken additional levels of testing to ensure that the information provided hasn't been manipulated prior to being sent to the audit team.

Our findings are summarised on pages 5 to 21. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our audit work has now concluded. We intend to issue a disclaimer audit opinion as we have been unable to obtain reasonable and appropriate audit evidence to support the assumptions around the valuation of land and buildings, as insufficient books and records have been maintained by the Council for these balances.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

Our Interim Auditor's Annual Report was reported to the Council's Audit Scrutiny Committee in August 2023.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our interim Auditor's Annual Report for 2020-21 concluded that we identified significant weaknesses in the Council's Governance arrangements relating to monitoring standards; investigating complaints and encouraging whistleblowing. We made three key recommendations and seven improvement recommendations in this respect.

We therefore are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code.

We did not identify any significant weaknesses in the areas of Financial Sustainability or Improving Economy, Efficiency and Effectiveness, but identified six opportunities for improvement in these areas.

Following our conclusion of the 2020-21 financial statements audit, we concluded to issue a disclaimer audit opinion as we have been unable to obtain sufficient and appropriate audit evidence to support the assumptions around the valuation of land and buildings, as insufficient books and records have been maintained by the Council for these balances.

Consequently, this represents a significant weakness in arrangements and we have raised a further key recommendation in relation to our 2020-21 Value for Money work. The Council needs to ensure its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We expect to certify the completion of the audit upon the completion of our audit work.

Significant Matters

We have encountered challenges during the audit due to the continued use of scanned documents and limited digital audit working papers. The financial system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

We have not had to alter our Joint Audit Plan, as communicated to you in July 2021.

Conclusion

Our audit work has concluded and we intend to issue a disclaimer audit opinion as we have been unable to obtain reasonable and appropriate audit evidence to support the assumptions around the valuation of land and buildings, as insufficient books and records have been maintained by the Council for these balances. See page 12 for further details.

Acknowledgements

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

As highlighted on page 3 of our audit plan presented to the Audit Scrutiny Committee on 24 August 2021, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as the continued use of scanned documents and limited digital audit working papers. The finance system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used. The consequence of this is that we have not been able to use our data analytics software to its full potential and have had to seek alternative procedures. We have had to carry out additional audit procedures to test the accuracy of data extracted from the finance system and further additional fees have therefore been incurred.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,405,000	We considered materiality from the perspective of the users of the financial statements. The council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the net cost of Services level was deemed as the most appropriate benchmark, this same benchmark was used in the prior period.
Performance materiality	1,053,000	
Trivial matters	70,000	5% of materiality was deemed an appropriate level

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management overrise of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risk of material misstatement. 	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness Our audit work, including our review of journal entries and the related control environment, has highlighted that the recommendation raised in prior years around the Section 151 Officer posting journals has not been actioned as this has occurred in the current financial year. The S151 Officer posts journals in relation to PPE revaluations, depreciation, year end Pension movements and Provisions. All journals posted by the S151 Officer were reviewed under our risk based approach. See Appendix A and B where we have reported this matter. During our audit testing, we noted gaps in the journal numbers when look for sequential completeness. Previously the Council run a system where journals were completed on preprinted forms which were all printed at the start of the year. If an individual made a mistake on the form they simply used the next form and should in line with policy still put the spoiled form back into the paper file to show that the journal has not been posted. In 2020/21 due to remote working, the Council used a shared excel spreadsheet where there was a list of journal numbers that they could use in the year. Financial staff would put their name after a journal if he/she needed to post a journal. Gaps detected in the year were due to human error whereby someone had made a mistake and the journal would not have been used and another journal raised instead of because they were working from home they had to use a spreadsheet to allocate journal numbers, it could be that someone thought they needed these journal numbers but ultimately didn't end up using that journal number. See appendix A for a recommendation with regard to the order number of journals. Our audit work has noted that whilst journals are generally approved, one of the journals approval was shredded during the year. Management checked the journal during the audit and it was subsequently re-approved at that time. See appendix A for a recommendation in relation to this matter. Due to the limitations in the finance software used by the Council, the standard journals testing approach applied by Grant Thornton for 2020/21 audits was not able to be followed, as sufficient detail regarding each journal was not able to be obtained. This has resulted in a delay to our procedures whilst an alternative solution was identified.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
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 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 of the Authority, 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; and • The culture and ethical frameworks of public sector bodies, including the Authority, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk of for the Authority
Valuation of land and buildings (Rolling revaluation) The council values at least 20% of its land and building assets on a rolling five year basis and add more assets to revalue each year if needed. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. 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. We therefore identified valuation of Land and buildings, particularly revaluations and impairments, as a significant risk, material misstatement, and a key audit matter.	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope pf their work • Evaluated the competence, capabilities and objectivity of the valuation expert • Written to the valuer to confirm the basis on which the valuation was carried out • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • Tested revaluations made during the year to see if they had been input correctly into the Council's asset register • Evaluated the assumptions made by the management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Management provided the audit team with calculations made by the valuer who was in post at the year end but had subsequently left the Council's employment. The calculations were specific to each asset however when we challenged Management for the evidence to support the calculations, insufficient evidence could be provided as the valuer had not retained adequate documentation to support the key assumptions made and management were unable to provide sufficient justification for the judgements applied within the valuation calculations. Opportunity was provided to the Council to reperform these valuations, but management concluded that due to cost and resourcing factors, that it did not wish to complete any further work in this area to support the entries within the financial statements. We have therefore not been able to obtain reasonable and appropriate audit evidence to support the assumptions around the valuation of land and buildings, as insufficient books and records have been maintained by the Council for these balances. See page 12 and 13 for further details. We have included a recommendation in Appendix A in relation to this matter. During the audit we noted that the valuation for car parks had been calculated using the previous three years average income. We do not believe that it is appropriate to value the car parks in this way during 2020/21 as no impairment was made to take into accounts low usage of the car parks due to Covid-19. We have noted that the audit opinion will include an Emphasis of Matter paragraph highlighting Material Uncertainty over the Market Walk Shopping Centre.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£107.865m in the Authority's balance sheet at 31/03/2021) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 3.8% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	We have: • Updated our understanding of the processes and controls put in place by the management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • Evaluated the instructions issued by management to their management expert (an actuary) for this estimates and the scope of the actuary's work We will also: • Assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the 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 perform any additional procedures suggested within the report; • Agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures • Obtain assurance from the auditor of the 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 Our work in this area is complete and there were no issues to bring to the attention of Those Charged With Governance.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
The expenditure cycle includes fraudulent transactions (Rebutted) Practice note 10: Audit of Financial statements of Public sector bodies in the United Kingdom (PN10) states: "As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition" Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.	We have rebutted the presumed risk for Teignbridge District Council because: • Expenditure is well controlled and the Council has a strong control environment; • There is no incentive for management to mis-represent expenditure; and • The council has clear and transparent reporting of its financial plans and financial position to those charged with governance. We have also tested expenditure and creditors at year end as part of our completeness testing to ensure that the expenditure is recorded in the correct financial year. We therefore do not consider this to be a significant risk of Teignbridge District Council

2. Financial Statements – new issues and risks

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

Issue	Commentary	Auditor view
Recognition and Presentation of Grant Income • The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income	As part of our work we have considered: • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the Comprehensive Income and Expenditure Statement (CIES). • the adequacy of disclosure of judgements in the financial statements.	We reviewed the Council's assessment of whether it was acting as a principal or agent and concluded that its assessment and judgements were reasonable.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Land and Building valuations – £98.015m
Summary of management's approach	Other land and buildings comprises £98m of assets, which are required to be valued at either current market value or depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The Council has engaged the Valuer to complete the valuation of properties as at 1 April 2020 on a five yearly cyclical basis. This year the council has instructed the Valuer to value the top 60 assets by value. As a result 75% of total assets by value were revalued during 2020/21. Where the remaining assets not formally revalued, an exercise has been undertaken to ensure that the carrying value is not materially different to the current value. This exercise has also been completed for those assets valued at 1 April 2020 to ensure that there is not a material difference at 31 March 2021. The Council's valuer has included a material valuation uncertainty in respect of the valuation of the council's Shopping Centre, Market Walk, at 31 March 2021 due to the unprecedented set of circumstances caused by Covid-19 and an absence of relevant / sufficient market evidence on which to base their judgements. The total year end valuation of land and buildings was £98m, a net increase £5m from 2019/20 (£93m).
Audit Comments	We have: • Reconciled the valuation report to the Fixed Asset Register • Reviewed the valuation report to identify any changes in valuation basis from the prior year. • Performed review over indices to compare the valuation movement to the expected movement using Gerald Eve reports • Review assets with a nil net book value as at 31 March 2020 and note that these remain in the Fixed Asset Register.

2. Financial Statements – key judgements and estimates

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

Audit Comments – continued	We have challenged Management to provide supporting evidence around the assumptions used in the calculations. Our sample size for reviewing the Land and Buildings valuation was fifty items, a larger sample than in previous years due to the Council revaluing 75% of its assets in year and changing the valuation basis for six items. To understand the methodology, we selected two valuations to test initially, one from each permitted approach applied by the valuer. The calculations contain various assumptions such as floor areas, build costs, obsolescence factors and yields. To test the assumptions used, we had requested supporting documentation for each of these but the Council has been unable to provide sufficient and appropriate evidence to support the assumptions made. The Valuer who prepared the calculations is no longer employed by the Council and therefore a new Valuer is assisting with our queries. We appreciate that an element of professional judgement is applied within the calculations, however the evidence to support the underlying assumptions should be retained by the Council. Please see recommendation raised in Appendix A. As a result of not being able to test the assumptions behind the calculations for valuation of land and buildings we intend to issue a disclaimer audit opinion over this area.
Assessment	

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £107.865m	The Council's total net pension liability at 31 March 2021 is £107.865m (PY £86.418m). The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from the Devon County Pension Fund. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £21.447m increase in the liability during 2020/21.	In assessing the estimate, we have considered the following: • the actuary's experience, competence and professional qualifications; • the actuary's approach, through the use of PwC as an auditors expert, used to assess the methods and assumptions used (see below table for consideration of the assumptions adopted); • the impact of any changes to valuation method – none were noted; We have assessed: • the completeness and accuracy of the underlying information used to determine the estimate by comparing it to source records and other data provided through the audit; • the assurances provided by the auditor of Devon Pension Fund over the process and controls in place at the Fund over the information provided to the actuary; and • the adequacy of disclosures of estimate in the financial statements.	

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.0%	1.95%-2.05%	Light purple
Pension increase rate	2.8%	2.8%-2.85%	Light purple
Salary growth	3.8%	2.5%-4.2%	Light purple
Life expectancy – Males currently aged 45 / 65	22.6/24.0	20.5-23.1/ 21.9-24.4	Light purple
Life expectancy – Females currently aged 45 / 65	23.9/25.4	23.3-24.4/24.8-26.4	Light purple

We have no issues to report in this area.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions	Provisions relates to the likely refund of business rates as a result of appeals against rateable value of business properties.	We have carried out the following work in relation to this estimate: • Appropriateness of the underlying information used to determine the estimate; • Reviewed the reasonableness of the estimate; and • Reviewed the adequacy of the disclosure of estimate in the financial statements. Estimate and judgements in this area are reasonable.	Light Purple

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £169k	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £169k (PY £125k).	Our testing of the MRP charge has highlighted three issues: • Incorrect useful life used for the MRP charge on the Market Walk Shopping centre – when an asset is brought into use by the Council, a useful life of the asset will be determined for depreciation charges. The same asset life should then be used in the MRP calculation. In this instance, the asset was being depreciated over 25 years, but the MRP calculation was based on a life of 50 years. As a result of this, the MRP calculation has been understated by the following amounts: - £258k in 2020/21 - £251k in 2019/20 - £245k for 2018/19 • Annuity rate used in the calculation – under the statutory guidance, an annuity rate method is allowable as long at the rate selected is prudent. The rate used by the Council is 3% which is higher than the rate current PWLB rates. The actual PWLB rates for the period of expenditure ranged from 2.28% to 2.53%. If the actual PWLB rates were used to calculate the MRP charge, this would have been higher by another £35k. • Classification of assets – The Council have not calculated a MRP charge for a property on Sherbourne Road as it has been classed as non-operational. However, the Fixed Asset Register classifies this building as 'Land and Buildings' and therefore as an operational building. If considered as operational, the MRP charge would be £22k. Please see Appendix A for recommendations and Appendix C for an unadjusted misstatement relating to the MRP charge.	Grey

Assessment

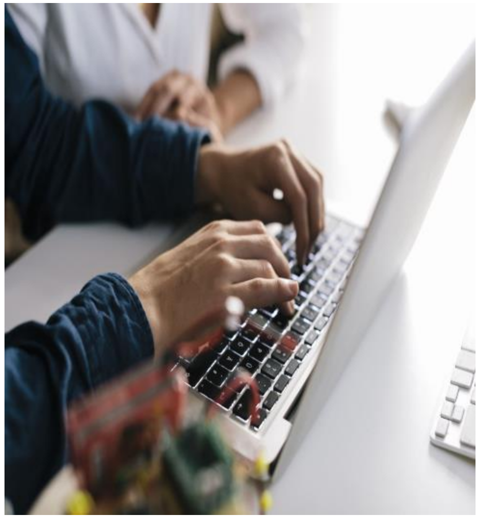
- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Scrutiny Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks. This permission was granted and the requests were sent. These requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our work has found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided, although we have encountered challenges during the audit due to the continued use of scanned documents and limited digital audit working papers. The financial system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used.

2. Financial Statements - other communication requirements

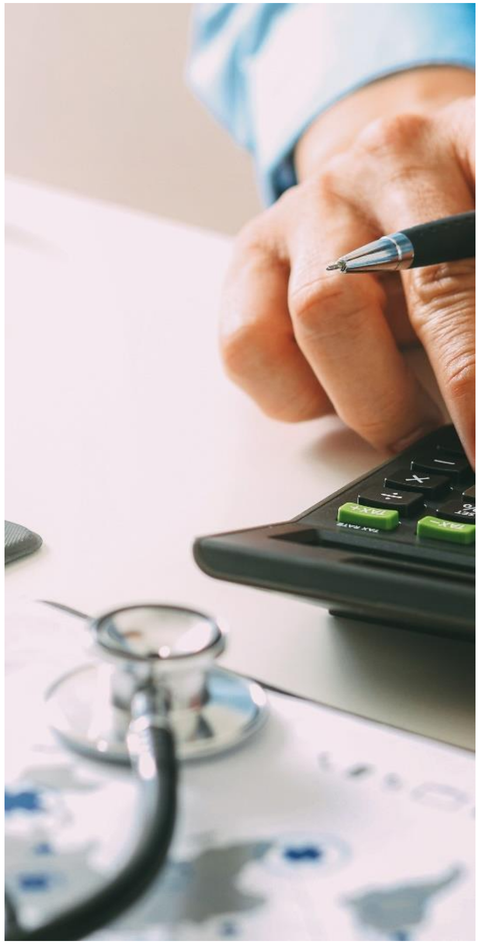
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we will consider and evaluate: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. We have no matters to report in regards to going concern.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We requested updates were made to the Annual Governance Statement to reflect the significant weakness identified through our Value for Money work, both in terms of the Council's governance arrangements and the significant findings arising from our audit of Property, Plant and Equipment. Management have updated the Annual Governance Statement and we conclude we are satisfied with the updated statement. We have no further matters to report in this area.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We will highlight in our audit opinion the four significant weaknesses identified from our Value for Money assessment. There are no further matters to report in this area.



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Detailed work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to issue the certificate at the conclusion of our audit.

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

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

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

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified significant weaknesses in the Council's arrangements

Our Interim Auditor’s Annual Report was reported to the Council’s Audit Scrutiny Committee in August 2023.

As part of our work, we considered whether there were any risks of significant weakness in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our interim Auditor’s Annual Report for 2020-21 concluded that we identified significant weaknesses in the Council’s Governance arrangements relating to monitoring standards; investigating complaints and encouraging whistleblowing. We made three key recommendations and seven improvement recommendations in this respect. We therefore are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor’s report will make reference to these significant weaknesses in arrangements, as required by the Code.

We did not identify any significant weaknesses in the areas of Financial Sustainability or Improving Economy, Efficiency and Effectiveness, but identified six opportunities for improvement in these areas.

Following our conclusion of the 2020-21 financial statements audit, we concluded to issue a disclaimer audit opinion as we have been unable to obtain sufficient and appropriate audit evidence to support the assumptions around the valuation of land and buildings, as insufficient books and records have been maintained by the Council for these balances.

Consequently, this represents a significant weakness in arrangements and we have raised a further key recommendation in relation to our 2020-21 Value for Money work. The Council needs to ensure its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report.

4. Independence and ethics

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

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

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

Assessment	Issue and risk	Recommendations
Low	In our prior year audit, we identified recommendations for action by Management. We noted that three of these recommendations have not been sufficiently addressed.	We would therefore recommend that Management revisit the prior year recommendations and prepare an action plan to address these issues. **Management Response** Journals by s151 officer – 'Due to staff availability it was necessary for the s151 officer to continue to process a small number of journal entries in the year. Staff training for 2 staff has commenced in the Autumn in relation to year end accounts work and related journals.' Electronic working papers – 'it is not possible to eliminate all manual working papers due to the financial system we operate with. We have made improvements since last year and increased the number of electronic documents and reconciliations which enable the audit to be processed efficiently.' FAR – 'Due to the pandemic there was insufficient time to review the FAR and not considered urgent as all disposed assets are clearly marked as such and identified with zero value and are not included in the Estates separate system for land and buildings'

Controls

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

A. Action plan – Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
Low	The financial system in use by the Council has also hindered our interrogation of the finance system as the data we need to be able to complete our work has not been readily available due to the reporting limitations of the current software being used.	We would recommend that Management look to consider installing a modern accounting software that would bring efficiencies to Management and always interrogation by the Auditors. **Management Response** We are in the process of implementing a new FMS system however work has been paused whilst resources are switched to the income management system requirements and recruiting additional resources.
High	Land and Buildings valuations The Land and Building valuations have been prepared by the Valuer using two permitted methods depending on the nature of the asset. We have selected one asset under each method to obtain an understanding of the calculation before the testing commenced on the remainder of the sample. The calculations contain various assumptions such as floor areas, build costs, obsolescence factors and yields. To test the assumptions used in the Land and Buildings valuation, we have requested evidence from the Council to support the values used. The Council has been unable to provide robust and comprehensive evidence to support these values and has instead referred us to typed data in an excel spreadsheet. An element of judgement will be included in the calculation, however the valuer should retain evidence to show where the original source data and starting point of the assumption has arisen.	We therefore recommend that the Council review its process for undertaking valuations to ensure that appropriate and sufficient evidence for each asset valuation is retained for auditing purposes. Management Response The Estates team have used professional judgements to determine asset valuations. The audit approach, scrutiny and evidence required has changed from previous years and now requires recorded evidence and third party data which we will look to retain for future valuations and in line with RICS requirements.

Controls

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

A. Action plan – Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
Low	Useful Economic Lives The Useful Economic Life of an asset is determined when as asset is purchased or brought into use by the Council and is an indication of how long the Council expects the asset to be in use. The Useful Economic Life is the period over which depreciation is charged for an asset. The Useful Economic Life of an asset can be amended, if upon review the Council find that the asset has become damaged or conversely if investment in the asset has been made to sustain its life. During the audit we noted that the Council have amended the Useful Economic Lives of forty assets, with no particular regard being had to the previously assessed life. This in itself is not an issue, however in this instance the reassessment was carried out based on verbal communication and no documentary evidence was retained. The change in the Useful Economic Life of the forty assets is that depreciation is £102k lower in 2020/21 than it would have been if the change had not occurred.	We would recommend that Management 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. **Management Response** The change in economic lives was a professional judgement call. We will ensure all changes are fully documented with reasoning.
Low	Minimum Revenue Provision (MRP) – Incorrect Useful Economic Life Statutory guidance requires that the Council put aside revenue over time to cover their Capital Financing Requirements by aligning the period over which they charge MRP to one that is commensurate with that over which the capital expenditure provides benefits. We have noted during our testing that the Market Walk Shopping Centre has a different Useful Economic Life in the MRP calculation than that included within the fixed asset register. The impact of this is that the MRP has been understated in 2019/20 by £251k and £245k in 2018/19.	We would therefore recommend that Management consider a review of the Useful Economic Lives used in the MRP calculations and ensure that these are commensurate with those in the Fixed Asset Register. **Management Response** The MRP calculation and provision has historically been in accordance with the guidance at that time. The asset life in 2018/19 was 50 years and the provision made in that year was based on 50 years. We will re-consider future charges based on the comments made as part of our assessment this year.

Controls

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

A. Action plan – Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
Low	Minimum Revenue Provision (MRP) – Annuity rate used in the calculation Under the statutory guidance, an annuity rate method is allowable as long at the rate selected is prudent. The rate used by the Council is 3% which is higher than the rate current PWLB rates. The actual PWLB rates for the period of expenditure ranged from 2.28% to 2.53%. If the actual PWLB rates were used to calculate the MRP charge, this would have been higher by another £35k.	We would recommend that Management undertakes a review of the annuity rate charged and considers whether this is prudent. **Management Response** We will review the rate based on guidance however our initial view is that 3% reflected a rate relevant at the time charges were required and projection of rates as required by the guidance.
Low	Minimum Revenue Provision (MRP) – Classification of assets The Council have not calculated a MRP charge for a property on Sherbourne Road as it has been classed as non-operational. However, the Fixed Asset Register classifies this building as 'Land and Buildings' and therefore as an operational building. If considered as operational, the MRP charge would be £22k.	We would recommend that Management ensures that each asset is considered consistently. **Management Response** The spend was on a small element of an operational building and as that spend had not been brought into operational use at the time no MRP was charged. We will review this year.

Controls

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

A. Action plan – Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
Low	Lease at 'Former Tourist Information Centre' The lease at the 'Former Tourist Information Centre' has had a stepped rental increase from £6,000 to £7,000 in the financial year. However, the Council has no documentary evidence to support the increase of the rent.	We would recommend that Management ensure that documentary evidence exists for all leases and subsequent updates to agreements and that these are retained for auditing purposes. **Management Response** Lease negotiations are generally well documented however we will review our documentation retention policy. In this case the stepped rent is pre-determined so no additional documentation was required to be issued in relation to this change.
Low	Gaps in journal numbers During our audit testing, we noted gaps in the journal numbers when look for sequential completeness. Previously the Council run a system where journals were completed on preprinted forms which were all printed at the start of the year. If an individual made a mistake on the form they simply used the next form and should in line with policy still put the spoiled form back into the paper file to show that the journal has not been posted. In 2020/21 due to remote working, the Council used a shared excel spreadsheet where there was a list of journal numbers that they could use in the year. Financial staff would put their name after a journal if he/she needed to post a journal. Gaps detected in the year were due to human error whereby someone had made a mistake and the journal would not have been used and another journal raised instead of because they were working from home they had to use a spreadsheet to allocate journal numbers, it could be that someone thought they needed these journal numbers but ultimately didn't end up using that journal number.	We would recommend that Management implement a system to ensure that there are no gaps in the numbers allocated to journals. **Management Response** Noted we will look to ensure this takes place in 2023/24.

Controls

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

A. Action plan – Audit of Financial Statements - continued

Assessment	Issue and risk	Recommendations
Low	Journals approval Our audit work has noted that whilst journals are generally approved, one of the journals approval was shredded during the year. Management checked the journal during the audit and it was subsequently re-approved at that time.	We recommend that Management develops a system to ensure that journal approvals are maintained. Management Response Noted and agreed.
Low	Control accounts During our audit we noted that there is a high reliance on control accounts which are then journalled to the Income and Expenditure Account at the year end. The use of control accounts has hindered our audit work as when we have asked for transactional breakdowns for nominal codes and used these listings in our sample selection tools, we have ended up asking for information on one sample item which is actually the total for the year of a control account made up of numerous items. Management should review this process to determine if the control accounts being used are necessary.	We recommend that Management reviews the process of using control accounts to consider whether these are considered necessary. Management Response Noted. We will review and in particular in relation to how this process will be impacted by the new FMS system implementation.

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Teignbridge District Council's 2019/20 financial statements, which resulted in four recommendations being reported in our 2019/20 Audit Findings report. We have followed up on the implementation of our recommendations and note three are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We recommend that officers and members take action in 2020 to reduce to current budget gaps over the medium term. We further recommend that the council continue to refresh the medium-term financial plan to reflect the impact of Covid-19 as things develop and to ensure the financial challenge is fully known	Our findings were reported in the Auditors Annual Report issued in August 2023.
✕	We recommend that the Financial team consider the level of Journals posted by the S151 officer	The S151 officer has continue to post journals in 2020/21 due to the size of the finance team.
✕	We recommend that the Finance team ensure all working papers going forward are electronic as this will help audit efficiency	The audit team continue receiving large amount of PDF working papers with handwriting on them
✕	We recommend that disposed assets to be removed from FAR going forward as they are no longer relevant to the Council's asset population and could result in misstatement of assets not in their possession	We noticed assets with nil balances are included in FAR 2020/21.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
None noted	nil	nil	nil

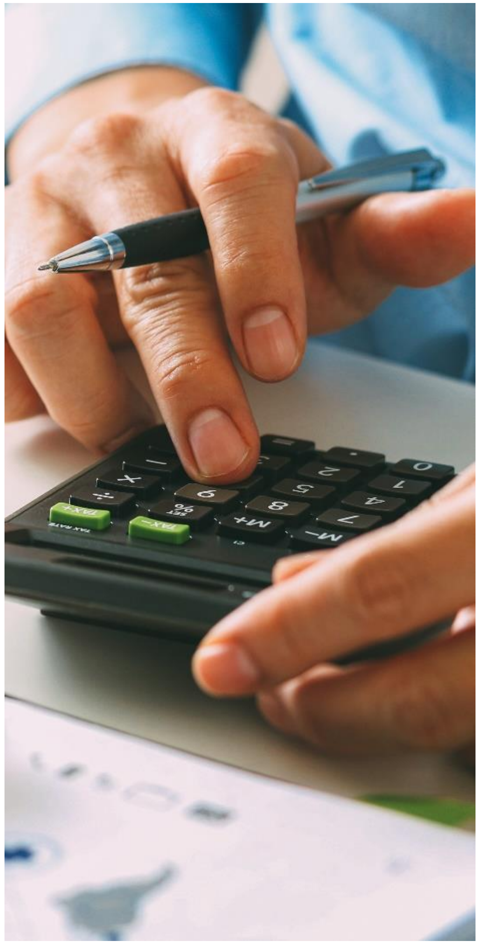
C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure omission	Adjusted?
In note 8 of the draft financial statements we noted that adjustments made during the financial statements preparation have been posted to 'other services expenditure' rather than to 'employee benefits'. This has had the following impact: - Correction of £39,268 in fees and other charges - Correction of £85,446 in employee benefits - Correction of £124,734 in other services expenditures	X – not material
During our testing of the cashflow statement we noted that the 'increase in impairment of bad debt' was overstated by £54,000.	✓
In note 38 of the draft financial statements Future Minimum payments have been misstated for 1 Minerva Way, Brunel Industrial Estate, TQ12 4PJ. After adjustment the figures will change 'Not less than one year ' to £1,758k, 'Later than 1 year and not later than 5 years' to £3,073k & 'Later than 5 years' to £6,397k. That means an increase of £34k, £2k and decrease of £17k respectively	✓
During the testing of the related parties note we identified that discretionary grants had been paid by the Council to organisations in which some of the members held an interest. These grants were in relation to Covid. However no disclosure had been made around these arrangements.	✓
During our work we noted that the disclosures in the draft financial statements for financial instruments were based on older standards. The terminology was therefore corrected to bring inline with the CIPFA code and IFRS9.	✓
During the audit, various other minor disclosure updates were made to the financial statements to improve readability or correct more trivial findings.	✓

C. Audit Adjustments



Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Reason for not adjusting
Minimum Revenue Provision (MRP) During our testing we have noted that the useful life for one asset used to calculate MRP is not in line with the useful life used to depreciate the asset	£258	-£258	Not material
Housing Benefits During our testing we have noted that expenses for the period 29 March 2021 to 31 March 2021 have not been accrued. The total value of the error is £120 and when extrapolated across the entire population, the amount is £131,470.	£131	-£131	Extrapolation
Grants received in advance During our audit testing we identified that £85k had been received in advance, however this had not been received until after the year end. The total value of the error when extrapolated across the entire population is £557,745.	-£558	£558	Extrapolation
Overall impact	**-£169**	**£169**	

Impact of prior year unadjusted misstatements

There are no prior year unadjusted misstatements.

D. Fees

We confirm below our final proposed fees chargeable for the audit and provision of non-audit services. These are subject to PSAA review and final approval. We have set out the current status of these fee approvals with PSAA in the table below.

Audit fees	PSAA approval status	Proposed fee	Final fee
Council Audit Scale fee		£37,240	£37,240
Additional fees per our audit plan	Approved	£21,500	£21,500
Interim fee variation 1 - relating to additional work on working papers and PPE valuation matters	Approved		£11,400
Interim fee variation 2 – relating to additional VFM work arising from new VFM governance risks identified and impact on final AGS review	Awaiting submission for review		£19,000
Final fee variation – relating to finalisation of the audit, closure of PPE matters and finalisation of audit qualification and technical clearance of final disclaimer opinion	Awaiting submission for review		£13,600
Total audit fees (excluding VAT)		**£58,740**	**£102,740**

The fees reconcile to the financial statements. The financial statements record audit fees of £59,000 which relates to the amounts approved per our audit plan above. All subsequent variations listed above, due to the timing of clearance and approval with PSAA, have not been recorded in the financial statements.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services - Certification of Housing benefit	£10,500	£12,500
Total non-audit fees (excluding VAT)	**£10,500**	**£12,500**

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