

The Audit Findings for Teignbridge District Council

Year ended 31 March 2024

5 February 2025





**Private and
Confidential**

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Audit Findings for Teignbridge District Council for the 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. 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.

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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf [grantthornton.co.uk].

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

Beth Bowers

Director
For Grant Thornton UK LLP

Chartered Accountants

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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.

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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 2024 for the attention of 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

As at the date of this report, we have not been able to conclude our work. Appendix D sets out our work undertaken and the closing status, along with details of the work undertaken and any audit findings and recommendations.

Our findings from the work undertaken to date are summarised on pages 7 to 23. We have identified one adjustments to the financial statements that would have resulted in a £2.5m adjustment to the Council's Comprehensive Income and Expenditure Statement, this is in relation to SANGS however management have made the decision not amend the financial statements. Further detail on SANGS can be found on pages 14 and 40. Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Unfortunately, owing to the challenges of undertaking an audit where the previous audits were disclaimed due to the local authority backstop, this year we have been unable to regain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be a disclaimed opinion.

Our audit opinion will also include a qualification over PPE balances due to the disclaimed opinion from 2020/21 being carried forward and also a qualification of the SANGS balance, which will be explicitly mentioned in the audit opinion.

Our draft Audit Report is attached at Appendix G.

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

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 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 work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

During our work we have raised a statutory recommendation around member behaviour and three significant weaknesses.

Further explanations of the statutory recommendation and significant weaknesses we have identified in the Council's arrangements are detailed on page 25 and 26 of this report.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).

Statutory duties

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

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

We have issued a statutory recommendation around member behaviour at the Council.

We intend to delay issuing the certificate due to the National Audit Office requiring us to keep this open in relation to Whole of Government Accounts and due to the incomplete work on an objection received on the financial statements.

Significant matters

We identified capacity and capability (through loss of corporate knowledge) of the Finance Team as a significant matter during the course of our work, as detailed in Section 2 of our report.

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;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

As highlighted in page 3 of this report, unfortunately it will not be possible for us to undertake sufficient work to support an unmodified audit opinion. We therefore plan to issue a disclaimer of the audit opinion. The draft wording of our Audit Report is set out at Appendix G.

The disclaimer opinion is being issued due to insufficient time to complete the planned audit procedures as a result of the statutory backstop deadline.

The circumstances resulting in the application of the local authority backstop to prior year audits are clearly extremely unusual. The government has signalled its intent that where backstops have been applied, local authorities and their auditors work together to recover the position over subsequent years. We will follow relevant guidance including from the NAO and the FRC to work with you over the coming years, as we seek to rebuild audit assurance.

Recognising the backstop date of 28 February 2025, we anticipate issuing a disclaimed audit opinion following the Audit Scrutiny Committee meeting on 13 February 2025, as detailed at Appendix G. Outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. During the course of the audit both your finance team and our audit team faced audit challenges again this year, such as the capacity and capability of the Finance Team. This resulted in us having to attend the Authority's premises to complete testing and resolve queries as well as adding resources to the audit team to assist given the delays experienced in receiving audit evidence. See page 13 for further details.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan in March 2024.

Council Amount (£) Qualitative factors considered

Materiality for the financial statements	1.051m	Materiality has been based on 1.5% of Gross Operating Expenditure.
Performance materiality	578k	Low level of deficiencies in control environment and quality of financial statements in prior years. Calculated as 55% of materiality.
Trivial matters	52.6k	Based on 5% of materiality.
Materiality for senior officers remuneration	20k	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.



2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most assessed risks of material misstatement.</p> <p>We note that there is no automatic control that requires all journals to be authorised and that manual controls do not cover all journals. This increases the risk of misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none">• evaluated the design and implementation 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 <p>During our audit work there was a delay in obtaining a full general ledger download. In order to assess journals therefore, we were able to download a report showing the journals over £50k which had been posted. A review of this download highlighted that the CFO and the Deputy CFO had been posting journals throughout the financial year. We therefore selected each of their journals to test. In total, we therefore selected 113 journals to test, with 42 being posted by the Director of Finance and 43 by the Deputy Director of Finance.</p> <p>Our testing also noted gaps in the sequential numbers of the journals posted. This is due to a manual numbering system being used and users “taking” journal numbers to use and then that then number no longer being needed.</p> <p>We also noted that users can self-authorise their own journals. We therefore recommend that management consider amending their processes such that the self-authorisation of journals is removed.</p> <p>Our testing of journals has been completed, subject to review. Please see Appendix B for actions raised.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

The revenue cycle includes fraudulent transactions (rebutted)

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 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.

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.

Throughout the audit we have continually reviewed this assessment and our judgement still stands, therefore we do not consider this to be a significant risk of for the Authority.

The expenditure cycle includes fraudulent transactions (rebutted)

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

We have rebutted this presumed risk for Teignbridge District Council because:

- Expenditure is well controlled and the Council has a strong control environment; and
- The Council has clear and transparent reporting of its financial plans and financial position to the Council.

Throughout the audit we have continually reviewed this assessment and our judgement still stands, therefore we do not consider this to be a significant risk of for the Authority..

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p>Closing Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and 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 (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We have:</p> <ul style="list-style-type: none">• Evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• Evaluated the competence, capabilities and objectivity of the valuation expert• Written to the valuer to confirm the basis on which the valuation was carried out <p>Due to the previous two financial statements audit being subject to a backstop disclaimer opinion we do not have assurance on assets valued in prior years. In addition, in the 20/21 audit opinion, we disclaimed the Valuation of land and buildings due to little evidence being provided to support the calculations.</p> <p>We received the Fixed Asset Register and the valuers report and used these as a basis for selecting a sample for testing. However, due to time constraints imposed by the statutory audit backstop, we are unable to conclude our work in this area.</p> <p>Please see Appendix D for further detail.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

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

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£18.5m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Commentary

We have:

- Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- Assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- Obtained assurances 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.

Management had considered the impact of IFRIC14 and included an asset ceiling adjustment in the draft financial statements. We reviewed the calculations undertaken by the Actuary.

We have also reviewed the IAS19 letter received from the Auditor of the Devon Pension Fund.

As a result of the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's opening balances reported in the financial statements for the year ended 31 March 2024. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability. Please see Appendix D for further detail.

2. Financial Statements - Observations in respect of other 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.

Issue	Commentary	
<p>Capacity and Capability of Finance Team to deliver the audit</p> <p>The audit commenced in September 2024, however there was a delay in receiving downloads of reports needed as the Finance Systems Analyst/Administrator was seconded to the project team for implementing the income management system. No-one else within the Council could provide these system reports due to the age and limitation of the financial ledger system.</p> <p>We also noted that due to the small finance team, delays were faced as the finance team faced deadlines such as preparation of the Council’s 2025/26 financial budget.</p> <p>The Deputy CFO had resigned from the Council before the audit commenced and therefore a new key audit contact was appointed as a replacement. Due to the loss of corporate knowledge, delays in receiving audit evidence and responses to sample queries were experienced whilst the newly appointed individual became familiar with the Council’s teams and processes.</p> <p>As the previous two years financial statements were subject to backstopped disclaimed audit opinions, materiality for this audit was reduced and as a result sample sizes were increased from those previously experienced by the Council. This also added to the delays whilst we awaited sample evidence to be returned.</p>	<p>To support the Council through the audit process, the audit team attended the Council’s premises and completed part of the testing and query resolution on-site.</p> <p>In addition to the above, additional resources throughout the month of January was added to the audit as the December deadline was not achieved.</p>	<p>Auditor view</p> <p>We recommend that the Council prepares and plans in advance for the delivery of the 2024/25 audit to ensure sufficient capacity is available to facilitate the completion of the audit in a timely manner.</p> <p>Management response</p> <p>We have a timetable to complete the draft accounts by 30 June and will look to negotiate an audit timeframe that doesn’t clash with other key priorities including budget setting as occurred for the 23/24 audit.</p>

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.

Risks identified in our Audit Plan	Commentary
<p>Accounting treatment of Suitable Alternative Natural Green Space (SANGS)</p> <p>The Council has purchased areas of land for the use of Suitable Alternative Natural Green Space (SANGS). SANGS is required for the Council to be able to expand housing developments – planning permission will not be granted where there is not adequate SANGS in place. The Council is working with a Land Trust to maintain the land in perpetuity, which will be done via an endowment. The details are as follows:</p> <ul style="list-style-type: none">- The Council lets a 999 year peppercorn lease- The Council pay an endowment to the Land Trust (£1.315m in relation to Dawlish and £2.5m in relation to SW Exeter)- The Land Trust investment the endowment in shares etc and use the returns to fund the land maintenance <p>The Council sought the Auditors view on the initial accounting treatment to treat the expenditure as capital. We replied that in our view the treatment proposed by the Council did not meet the definition under the Capital Regulations. The Council therefore reconsidered their proposal and provided the Auditor with an updated proposal in September 2021. This was reviewed by the Auditors Technical Team and we subsequently indicated that in our view the new approach to treat the payment as a lease incentive did not meet the requirements of the leasing standards. The Auditor therefore re-confirmed that the endowment should not be treated as a capital transaction.</p> <p>The Council has accounted for the endowment payment as capital in nature. The long term debtor created as a result of this transaction has therefore been written off to the capital adjustment account as there is no income against which to match the cost.</p> <p>The audit team have reviewed the breakdown of cost types that are covered by the endowment and are of the view that these are revenue in nature as they relate to the maintenance of the land. The risk identified for the audit is that the financial statements has a material error.</p>	<p>We have</p> <ul style="list-style-type: none">• Reviewed the transactions created by the Council to account for the SANGS• Assessed the impact of the transactions being treated by the Council as Capital on the financial statements audit opinion• Reviewed evidence from the Council that the conditions of usage of the SANGS grant from Devon County Council have been met and it will not need to refund Devon County Council. <p>We sample tested the SANGS expenditure going back to the 2021/22 financial year. The view of the audit team is that the transactions we tested, which gave us coverage of 96% of the balance, are revenue in nature and therefore should be removed from the balance sheet.</p> <p>We challenged management to provide communications from Homes England confirming that the grant funding to cover this expenditure would not be re-payable given that this was a capital grant but spent on a revenue transaction. Management have confirmed that no evidence is available to support this as this confirmation was received verbally from someone who has since left the employment of Homes England.</p> <p>The Director of Finance has confirmed that the financial statements will not be amended for SANGS and therefore the disclaimer of opinion will refer specifically to the incorrect treatment of this balance.</p> <p>See Appendix C for details of the unadjusted error.</p> <p>Management response to finding:</p> <p>Having taken external professional advice we are of the opinion that SANGS can be treated as capital and have discussed this with other parties involved in funding the transaction to gain their approval and Members in 2021/22. We undertook considerable due diligence work with Homes England in order for the transaction to be approved and signed off as a capital project.</p>

2. Financial Statements: new issues and risks

Issue	Commentary	Auditor view
<p>IFRS 16 implementation</p> <ul style="list-style-type: none"> Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts 	<p>The draft financial statements presented for audit included disclosures around IFRS16 however due to time constraints imposed by the statutory audit backstop, we are unable to complete our planned audit procedures in this area.</p>	<p>We have no assurance over the accounting of IFRS 16 for 2023/24. We will follow-up on the accounting treatment and disclosures of IFRS 16 in 2024/25.</p>
<p>Recognition and Presentation of Grant Income</p> <ul style="list-style-type: none"> The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal / agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income. 	<p>The Council receives several grants from Central Government and other bodies. As the Council has not had an audit for several years, there is a consideration over the accounting treatment of grants i.e. agent / principal, whether grant conditions have been met or not, including whether restrictions exist. We had selected a sample of 24 grants to test and were unable to complete our work due to the time limitations imposed by the backstop legislation.</p>	<p>We have no assurance over the accounting of grant income in 2023/24. We will follow-up on the accounting treatment of grants and other contributions in 2024/25.</p>

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	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £118.6m	<p>Other land and buildings comprises 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.</p> <p>The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged the District Valuer to complete the valuation of properties as at 31 December 2023 on a five yearly cyclical basis. 39.9% of total assets were revalued during 2023/24.</p> <p>The total year end valuation of land and buildings was £118.6m, a net increase of £20m from 2022/23 (£98.6m).</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Evaluated the competence, capabilities and objectivity of the valuation expert Written to the valuer to confirm the basis on which the valuation was carried out <p>Due to the previous two financial statements audit being subject to a backstop disclaimer opinion we do not have assurance on assets valued in prior years. In addition, in the 20/21 audit opinion, we disclaimed the Valuation of land and buildings due to little evidence being provided to support the calculations.</p> <p>We received the Fixed Asset Register and the valuers report and used these as a basis for selecting a sample for testing. However, due to time constraints imposed by the statutory audit backstop, we are unable to conclude our work in this area.</p>	No overall conclusion formed this year, as our opinion has been disclaimed.

Assessment

- **[Red]** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **[Amber]** 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
- **[Green]** 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 – £18.5m	<p>The Council's net pension liability at 31 March 2024 is £18.5m (PY £26.6m) 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.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £8.1m net actuarial gain during 2023/24.</p>	<p>In assessing the estimate, we have considered the following:</p> <ul style="list-style-type: none"> 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; 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. <table> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>4.9%</td><td>4.8% - 4.95%</td><td>●</td></tr> <tr> <td>Pension increase rate</td><td>2.9%</td><td>2.85% - 3.0%</td><td>●</td></tr> <tr> <td>Salary growth</td><td>3.9%</td><td>2.85% - 4.0%</td><td>●</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>21.5-22.8</td><td>19.2-21.8/20.6-23.1</td><td>●</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>22.7-24.1</td><td>22.6-24.3/24.1-25.7</td><td>●</td></tr> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.9%	4.8% - 4.95%	●	Pension increase rate	2.9%	2.85% - 3.0%	●	Salary growth	3.9%	2.85% - 4.0%	●	Life expectancy – Males currently aged 45/65	21.5-22.8	19.2-21.8/20.6-23.1	●	Life expectancy – Females currently aged 45/65	22.7-24.1	22.6-24.3/24.1-25.7	●	<p>No overall conclusion formed this year, as our opinion has been disclaimed.</p> <p>No issues identified from our work.</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.9%	4.8% - 4.95%	●																								
Pension increase rate	2.9%	2.85% - 3.0%	●																								
Salary growth	3.9%	2.85% - 4.0%	●																								
Life expectancy – Males currently aged 45/65	21.5-22.8	19.2-21.8/20.6-23.1	●																								
Life expectancy – Females currently aged 45/65	22.7-24.1	22.6-24.3/24.1-25.7	●																								

Assessment





- **[Red]** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **[Amber]** 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
- **[Green]** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
FMS (Financial reporting)	ITGC assessment (design and implementation effectiveness only)				
iTrent (Payroll)	ITGC assessment (design and implementation effectiveness only)				

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

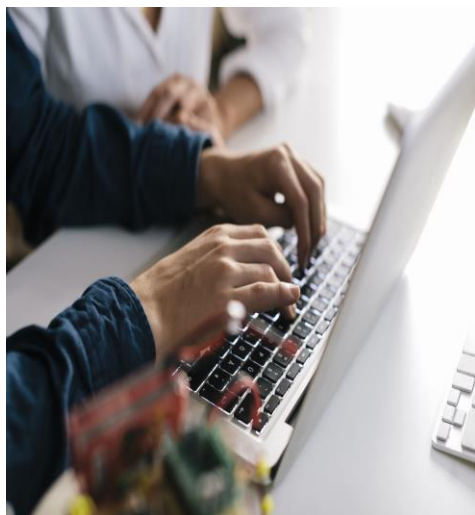
Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	2 September 2024	24 October 2024	We were unable to observe the report being downloaded in a timely manner as the only individual who could run these reports was seconded to another project and was not available to provide assistance to the audit.
Opening trial balance for 2023-24	2 September 2024	29 October 2024	We were unable to observe the report being downloaded in a timely manner as the only individual who could run these reports was seconded to another project and was not available to provide assistance to the audit.
Closing trial balance for 2023-24	2 September 2024	24 October 2024	We were unable to observe the report being downloaded in a timely manner as the only individual who could run these reports was seconded to another project and was not available to provide assistance to the audit.
All general ledger transactions during 2023-24	1 August 2024	24 October 2024	We were unable to observe the report being downloaded in a timely manner as the only individual who could run these reports was seconded to another project and was not available to provide assistance to the audit.
Mapping between the trial balance and the financial statements for 2023-24	2 September 2024	10 September 2024	During our review of the mapping we noted that this was complex and therefore we attending the Council's premises to work with the S151 Officer to obtain an understand of how this worked.

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. Some of these requests were returned with positive confirmation however eight requests were not received from the third party so we undertook alternative procedures, including obtaining the deposit confirmations or relevant statements from within the Councils internal records where we observed management locate, download and upload the same to the audit team.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review to date has found no material omissions in the financial statements, although due to time constraints imposed by the statutory audit backstop, we are unable to complete our planned audit procedures in these areas.
Audit evidence and explanations/significant difficulties	Whilst some sample evidence and response to queries were provided by management, not all information and explanations requested from management has been provided. 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 and the availability of the Council's finance team. See "Financial Statements – Observations in respect of other risks" at page 13 for more information.

2. Financial Statements: other communication requirements



Our responsibility

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

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

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Due to time constraints imposed by the statutory audit backstop, we are unable to complete our planned audit procedures in these areas.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>Our Auditors Annual Report includes a Statutory Recommendation due to the members behaviour, the member-officer relationship and bullying and aggressive behaviour having persisted among some members. In addition, three significant weaknesses were noted around Governance.</p> <p>As we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude our audit, the Annual Governance Statement will be subject to the disclaimer opinion.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to delay certification of the 2023/24 audit of Teignbridge District Council in the audit report, as detailed at Appendix G, due to the NAO requiring certificates to remain open. We also intend to delay the certification as we have not completed work on objection received on the financial statements.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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



Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which is presented on the same agenda in the Audit Scrutiny Committee meeting.

We have concluded that it is appropriate for us to use our powers to make written recommendations under section 24 of the Local Audit and Accountability Act, due evidence of bullying and aggressive behaviours having persisted among some members. We have therefore raised the statutory recommendation below.

Area	Recommendation
Members behaviour	<p>The Council should:</p> <ol style="list-style-type: none">1. Commission a suitably qualified expert to investigate the underlying causes of member behaviours which contravene the standards set out in the Council’s constitution under the members’ code of conduct and the member/officer protocol; and which have impacted the Council’s reputation and working culture. The Council should then develop an action plan to enable members and officers to address those issues.2. Adopt a consistent zero-tolerance approach to any swearing; lack of respect for other people attending meetings; or other abusive behaviour towards other members or officers in meetings. This should be done by making full use of the procedural rules set out in the Council’s constitution by: Immediately adjourning the meeting; moving a motion that the member concerned be not heard; or moving a motion that the member concerned should leave the meeting.3. Consider amendments to its constitution to extend those procedural rules to all meetings of committees of the Council and amend the Member Code of Conduct to include an obligation for all members to reinforce standards of behaviour and to support the Chair of the Council and chairs of committees of the Council in their use of procedural rules to ensure proper conduct. Group Leaders should model good behaviour and discipline members of their groups whose behaviour breaches the Code of Conduct and the member/officer protocol.4. Continue to provide information and support to ensure that members and officers who are subjected to aggressive and abusive behaviour from individual members can, if they wish, submit a written complaint to the Monitoring Officer immediately, so that it can be dealt with under the Council’s Standards procedures.5. Ensure that Group Leaders take responsibility for their members working collaboratively with officers and for their members improving behaviours and relationships.6. Review membership of the Standards Committee, with only members who have an excellent behavioural track record being eligible to join it. Meetings should then resume. A Governance Committee should be introduced to reinforce the work of the Standards Committee. As with the Standards Committee, members on the Governance Committee must have an unblemished behavioural track record. <p>Securing good standards and behaviour amongst members will help to strengthen corporate governance and working culture. This in turn should help to create a positive environment from which the Council can build better relationships and address the other issues it faces, such as transacting business as usual and maintaining respect and co-operation around decisions once they have been taken.</p>

3. VFM: our procedures and conclusions

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. As well as the statutory recommendation set out on the previous page, we raised three key recommendations as a result of identifying significant weaknesses in arrangements. These are set out below.

Significant weakness(es) identified

Lack of trust seems to underpin some of the behavioural issues we observed. Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. There is also evidence to suggest that members are not always confident that interests have been declared by fellow members. We raised two new key recommendations around arrangements that may help rebuild trust.

We have observed evidence that decisions, once made, are not always stuck to and are sometimes undermined. The Council changed its approach to a cinema project and Future High Street Funds projects during 2023/24. We raised a new key recommendation around the need to work collaboratively once decisions have been made and, where necessary, to revisit decisions constitutionally.

Key Recommendation 1 : Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. Members need to be clear about what they can and can not have access to. Part two meetings should be used to discuss any sensitive issues that members do have legal access to. Where Part two meetings are used, all present should adhere to the legal confidentiality requirements of Part two meetings.

Key Recommendation 2 : The Council should review arrangements around declarations of interest and investigations. An internal audit of declarations of interest should be arranged to identify any areas for improvement.

Key Recommendation 3: Decision-making arrangements at Executive Committee and Full Council level should be reviewed and, where necessary, strengthened. A decision flowchart should be completed and used. If necessary, longer timescales for evaluation of the impact of decisions should be introduced.

As we recommended in our Auditor's Annual Report for 2021/22 and 2022/23, the Council needs to ensure that once decisions are made, they are stuck to - to allow projects to proceed as required. Once decisions are made, they should be treated with trust and respect by members and officers, and they should be acted on in a spirit of mutual co-operation. This will require wider relationships to be working well.

Over time, if there are reasons to revisit a decision, this should be done through main constitutional arrangements.

The events of 2023/24 show that financial loss and delayed project progress can result when decisions are undermined from outside the main constitutional process. Lack of trust between members and officers may be one of the underlying causes of member behaviour contravening standards set out in the constitution. The lack of trust and the poor relationships and behaviours ensuing from it may be undermining business as usual processes.

The Council wrote off £522,000 when it abandoned the cinema project. The Council has other high profile capital projects, and it will be important that decision-making is applied carefully around them to ensure any delays and financial impacts are kept to a minimum.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers).

In this context, we disclose the following to you:

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 at Appendix E.

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 [Grant Thornton International Transparency report 2023](#).

4. Independence considerations

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

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

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

4. Independence considerations

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	2022/23 - £14,500*	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 £14,500, in comparison to the total fee for the audit as set out on page 59 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.
	2023/24 - £TBC		
		Self review (because GT provides audit services) Management threat	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.

*estimated fee as work is still in the concluding stages

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 Audit Scrutiny Committee.

None of the services provided are subject to contingent fees.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

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

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

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified eight 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 2023/24 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
Medium	The audit was delayed by the age and user-friendliness of the finance system as there is typically only one member of the finance team the Finance Systems Analyst/Administrator, who can integrate the system and pull-down financial reports. At the start of the audit, this individual was seconded to a project team to roll out a new income management system and therefore was not able to assist the finance team in providing reports to the audit team such as a trial balance and general ledger reports.	<p>We would recommend that Management consider training for the finance team on how to download the appropriate reports needed for audit purposes.</p> <p>Management response</p> <p>we are currently finalising our resources within Finance and will look as part of the spread of experience, training in various aspects where knowledge is limited to specific members of the team. This has been hampered due to new systems implementation and loss of key members of Finance staff in the last 12 months.</p>
Medium	The PPE valuations are undertaken as at 31 December and therefore we challenged Management to confirm that the difference between the valuation date and the value in the financial statements is not material. We asked Management if any indexation exercise is undertaken. Management confirmed that no such exercise was performed.	<p>We therefore recommend that Management should consider completing an indexation exercise upon the valuations to obtain assurance that the values stated within the financial statements are not materially misstated.</p> <p>Management response</p> <p>for 24/25 we are changing the revaluation date to be 31 March to eliminate this uncertainty</p>
Low	During our work we have noted that there are multiple codes within the trial balance where they do not relate to only one area of the balance sheet. For example, debtors and creditors are routinely posted to one nominal ledger code and manually split out at year end. We have therefore had difficulty in reconciling account codes and listings in order to performing sampling.	<p>We would therefore recommend having trial balance codes which only relates to one area of the balance sheet and income statement to reduce the risk of financial misreporting.</p> <p>Management response</p> <p>integrated systems do not identify splits between long and short term so such work is more complicated. This can be picked up as part of the new FMS system implementation work and user requirements. The working papers clearly identify how the data is split across trial balance headings.</p>

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	<p>During our testing of payroll we check a sample of starters, leavers and those employees who have changed roles within the year. Our testing noted that Several of the forms we were provided with were not signed by the employee and/or their manager and one form was even signed with the wrong name and date. This is not in line with the Council's policies.</p> <p>We also noted that Two of our samples related to members and upon investigation it was noted that there are no official starters and leavers process for Councillors.</p>	<p>We would therefore recommend to Management that:</p> <ol style="list-style-type: none"> 1. The HR team are reminded of the importance of accurate and timely record keeping. 2. Consideration is given to whether a formal starters and leavers process should be introduced for members. <p>Management response</p> <p>It is not always practical or possible for leavers forms to be signed by the employee e.g. through dismissal. We have a process in place for Members who are starting at the Council. Notifications are made and communicated for those Members who leave and this process can be picked up by the internal audit of the Democratic services function currently taking place.</p>
Low	<p>We obtained the listing for the REFCUS expenditure and selected 11 samples. For each sample, we documented the nature of the expenditure and agreed the nature and value of the expenditure to supporting evidence. We then assessed whether the item was correctly accounted for as REFCUS in line with the CIPFA Code. No issues were noted in our testing on the classification and value of REFCUS expenditure, however the expenditure for one of our samples was noted to have occurred in the prior financial period. We have challenged Management as to the inclusion of this expenditure in this financial year and note that this was not recorded in the prior financial year and therefore needs to be included now. This is due to a timing issue and the accrual for this item was missed by Management when preparing the financial statements.</p>	<p>We would therefore recommend that Management perform rigorous checks to ensure that all accruals are included within the financial statements at the year end.</p> <p>Management response</p> <p>we have robust checks to ensure invoices are posted to the correct time period. these are also based on materiality and time constraints to close the ledger and produce the accounts in a timely fashion.</p>
Medium	<p>A review of the journals download highlighted that the Director of Finance and the Deputy Director of Finance had been posting journals throughout the financial year. We therefore selected each of their journals to test to give us assurance over the management override of controls. In total, we therefore selected 113 journals to test, with 42 being posted by the Director of Finance and 43 by the Deputy Director of Finance. Posting of journals by the S151 was also raised as an issue in the prior audit.</p>	<p>We would therefore recommend that the S151 Officer does not post journals.</p> <p>Management response</p> <p>due to having only a small Finance team this is a necessity. We are looking at knowledge in the team and allocating tasks to reduce the level of journals completed moving forward which along with the appointment of an experienced local government Head of Financial & Audit Services will improve business continuity within the team.</p>

Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	Our testing of journals also noted gaps in the sequential numbers of the journals posted. This is due to a manual numbering system being used and users “taking” journal numbers to use and then that then number no longer being needed.	<p>We would therefore recommend to Management that the numbering system for journals is reviewed and consideration is given to whether another more robust system could be implemented such that journal numbers remain sequential for audit trail purposes.</p> <p>Management response</p> <p>the existing system is robust in that it ensures no duplicate journal numbers can be entered. Any links to controls over journal input will be considered as part of the new FMS system.</p>
Medium	We also noted that users can self-authorise their own journals. During our testing we noted that one of the S151 journals had not been reviewed.	<p>We would therefore recommend that Management implement a robust system for ensuring that journals are reviewed before being posted to the ledger.</p> <p>Management response</p> <p>response: CFO and Deputy CFO journals are checked. The CFO also receives downloads of all material journals in the year to check for validity.</p>

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Teignbridge District Council's 2020/21 financial statements, which resulted in eleven recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note five are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Recommendations made in the 2019/20 Audit Findings Report had not been actioned. These included: <ul style="list-style-type: none"> - Journals posted by S151 Officer - Electronic working papers - Fixed Assets Register 	During our 2023/24 audit procedures we noted that journals were posted by the S151 Officer. This action therefore remains open. We note improvements have been made with regard to the production of electronic working papers.
X	We 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.	We were unable to obtain supporting documentation for the Useful Economic Lives used during 2023/24 audit testing.
X	We recommend that Management look to consider installing a modern accounting software that would bring efficiencies to Management and always interrogation by the Auditors.	The new financial management system has not yet been implemented.
✓	We 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.	During the 2023/24 financial statements audit, we have been provided with evidence relating to the asset valuations, however due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.
✓	We 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.	No issues noted in relation to this recommendation in our work for 2023/24.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations - continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We 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.	No issues noted in relation to this recommendation in our work for 2023/24.
✓	We recommend that Management undertakes a review of the annuity rate charged and considers whether this is prudent within its MRP calculations.	No issues noted in relation to this recommendation in our work for 2023/24.
✓	We recommend that Management ensures that each asset is considered consistently within its MRP calculations.	No issues noted in relation to this recommendation in our work for 2023/24.
✓	We recommend that Management ensure that documentary evidence exists for all leases and subsequent updates to agreements and that these are retained for auditing purposes.	No issues noted in relation to this recommendation in our work for 2023/24.
X	We recommend that Management implement a system to ensure that there are no gaps in the numbers allocated to journals.	We noted a small amount of gaps within the sequential numbering of the journals during our audit work for 2023/24.
X	We recommend that Management develops a system to ensure that journal approvals are maintained.	Within our audit work we have noted one journal where the S151 Officer had prepared and posted the journal, but these have not been counter-signed as approved.

Assessment

- ✓ Action completed
- X Not yet addressed

D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Property Plant and Equipment (PPE) – Opening balance		2023/24: unknown 2022/23: unknown	35	-	24 – no evidence provided	11	The audit opinion for Teignbridge District Council for financial years 2021/22 & 2022/23 have been subject to backstopped audit opinions. For 2023/24, we were therefore unable to rely upon audited brought forward balances from the 2022/23 financial year audit. We considered the practicalities of completing the 2023/24 audit engagement with the best assurance we can obtain in the timescale and selected samples for testing. At the time of drafting this report, out of the 35 samples selected, no evidence had been provided for 24 items. Whilst we had received evidence for 11 sample items, due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.
PPE – Additions & REFCUS		2023/24: No 2022/23: unknown	21	21	-	-	During the audit we selected 10 samples for additions and 11 for REFCUS. Supporting evidence was provided for each of these samples and the testing was completed. During our testing of REFCUS, we noted that there were no issues in relation to the classification and value of the item, however the expenditure occurred in the prior financial period. We challenged management as to the inclusion of the item in the current financial year and noted that this was not recorded in the prior year as expenditure. We have therefore raised a recommendation to management – see Appendix B.
PPE – Disposals (and the associated gain/loss on disposal)		2023/24: No 2022/23: unknown	5	5	-	-	A sample of 5 items was selected and the supporting evidence was provided by management. No issues were identified that require reporting to those charged with governance.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Depreciation charge		2023/24: no 2022/23: unknown	14	14	-	-	Due to the previous two financial years being subject to a backstopped opinion, we were not able to complete a depreciation SAP. Instead a sample was selected comprising of 14 items. We have recalculated the depreciation charge and no issued noted.
PPE – Revaluation and impairment (Other land & building) [Significant risk]		2023/24: unknown 2022/23: unknown	39	-	-	39	We have agreed the financial statement notes to the Fixed Asset Register, Valuers Report and Trial Balance. We have also agreed that the Valuers Report agrees to the Fixed Asset Register. We have confirmed the value of assets not revalued. We have been unable to check the PPE revaluation movements reconcile within the financial statements as work on the Movement in Reserves Statement is incomplete. We have undertaken a high level review of the significant assumptions we would expect to see within each valuation method and what evidence we would expect to observe for each assumption.. We completed a sampling strategy and identified 39 assets for testing. We have received the evidence for the 39 assets however due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. The PPE valuations are undertaken as at 31 December and therefore we challenged Management to confirm that the difference between the valuation date and the value in the financial statements is not material. We asked Management if any indexation exercise is undertaken. Management confirmed that no such exercise was performed. We therefore raised a recommendation in the Audit Findings Report that Management should consider completing an indexation exercise upon the valuations to obtain assurance that the values stated within the financial statements are not materially misstated.
Property Plant and Equipment (PPE) – closing balance		2023/24: unknown 2022/23: unknown	39	-	-	39	We have been unable to test the opening PPE and the revaluation movement in the financial year due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.

Assessment

● [Red] We were unable to fully test the balance/transaction.

● [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.

● [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement

Balance Sheet

Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Investments – long term and short term		2023/24: no 2022/23: unknown	5	5	-	-	<p>Long term The long term investment held by the Council relates to its share of the investment held in Strata. We have agreed this value back to the Strata consolidation and no issues were noted.</p> <p>Short term We obtained investment confirmations for balances as at 31 March 2023 and 2024 and for those where confirmations were not received, we completed alternative procedures. We also confirmed that the classification of the investment was correct in terms of whether this should be recorded as a short term investment or a cash and cash equivalent balance. We also completed cut-off testing to confirm that investments had been captured in the correct financial year and no issues were noted. We obtained the breakdown of investment income and split the population into debits, credits and low value. We have determined a sample size of 5. We obtained supporting evidence to show that the samples were correctly stated and no issues were noted.</p>
Short term debtors (Including Completeness testing)		2023/24: unknown 2022/23: unknown	40	38	-	2	<p>Completeness testing – payments received – we selected a sample of 25 items to test cutoff procedures to ensure that transactions have been recorded in the correct financial period. We received the evidence for the 25 sample items and no issues were noted.</p> <p>Completeness testing – invoices raised – we selected a sample of 15 items to test cutoff procedures to ensure that transactions have been recorded in the correct financial period. At the date of drafting this report, we had a query on 1 sample item which remains with the Council and the Council had not been able to provide evidence for 1 sample item.</p> <p>Sampling of short term debtors – we requested a breakdown of the nominal ledger codes which made up the balance on short term debtors. At the date of drafting this report, this breakdown has not been provided and therefore due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.</p>

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Long term debtors		2023/24: yes 2022/23: yes	n/a	n/a	n/a	n/a	<p>Long term debtors is made up of the following:</p> <p>Collection fund – The debtor has been agreed back to Council tax and NNDR supporting documentation., however we have been unable to complete our testing over the Collection Fund.</p> <p>SANGS – The Council received a grant from Homes England through Devon County Council to fund an endowment policy such that the returns could be used to fund the maintenance of green space within housing developments. The Council proposed that accounting treatment for this expenditure would be to include it within long term debtors and amortise the cost over a 20 year period. The audit team’s view, is that this would be revenue expenditure and therefore should be removed from the Balance Sheet. During the audit, we have obtained a breakdown covering the whole of the expenditure on SANGS from when the project commenced in 2021/22 and selected a sample of 5 items to test (with a 96% coverage over the population). We tested this sample back to supporting evidence and confirmed that the expenditure relates to revenue items such as legal fees and the endowment policy for maintaining the land. This supports the view that SANGS should be treated as revenue and removed from the balance sheet.</p> <p>Management disagree with our proposal and therefore have opted not to amend the financial statements. We will therefore specifically refer to the incorrect treatment of the SANGS balance within our opinion.</p> <p>Community Infrastructure Levy – At the date of drafting this report, this breakdown has not been provided and therefore due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.</p> <p>Sundry Debtors - At the date of drafting this report, this breakdown has not been provided and therefore due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.</p>

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement

Balance Sheet

Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Allowance for bad debts		2023/24: no 2022/23: unknown	n/a	n/a	n/a	n/a	We have recalculated the bad debt provision and note that the percentages used within the calculation are similar to previous years and there isn't a material movement compared to the prior years provision. This section has not identified any reporting points to be communicated to management and those charged with governance.
Cash and Cash equivalents		2023/24: no 2022/23: unknown	22	22	-	-	<p>Testing within this section included:</p> <ul style="list-style-type: none"> - Sample testing of reconciling items as at 31 March 2023 - 11 reconciling items were selected for testing. Supporting evidence was provided for each sample item and no issues noted. - Inter-account transactions as at 31 March 2023 – all transactions occurring within the week before and the week after the year end were selected for testing and agreed that these had been recorded correctly. - Cash equivalents testing as at 31 March 2023 – all balances at year end were agreed to supporting information either obtained by receiving this direct from the third party or through alternative procedures performed while the audit team were onsite. No issues were noted. - Sample testing of reconciling items as at 31 March 2024 - 11 reconciling items were selected for testing. Supporting evidence was provided for each sample item and no issues noted. - Inter-account transactions as at 31 March 2024 - all transactions occurring within the week before and the week after the year end were selected for testing and agreed that these had been recorded correctly - Cash equivalents testing as at 31 March 2024 - all balances at year end were agreed to supporting information either obtained by receiving this direct from the third party or through alternative procedures performed while the audit team were onsite. No issues were noted.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Short-term Creditors (Including Completeness testing)		2023/24: unknown 2022/23: unknown	66	8	-	58	<p>During our work we have noted that there are multiple codes within the trial balance where they do not relate to only one area of the balance sheet. For example, debtors and creditors are receireceived butone nominal ledger code and manually split out at year end. We have therefore had difficulty in reconciling account codes and listings received but perform sampling. We would therefore recommend having trial balance codes which only relates to one area of the balance sheet and income statement to reduce the risk of financial misreporting.</p> <p>Completeness testing – invoices received - we selected a sample of 23 items to test cutoff procedures to ensure that transactions have been recorded in the correct financial period. 8 had been tested and evidence for the remaining sample items was received, but not tested due to time limitations.</p> <p>Completeness testing – payments made - we selected a sample of 25 items to test cutoff procedures to ensure that transactions have been recorded in the correct financial period. At the time of drafting this report we were waiting for information on all 25 sample items.</p> <p>Short term Creditors – Due to the way in which the transactions are recorded within the nominal ledger codes, the long term and short term creditors are amalgamated within the codes. The split between short term and long term is therefore completed manually at year end. We therefore reviewed the codes and obtained listings of transactions. We cleansed these listings to remove contra entries. We then subjected the listings to sampling procedures and determined a sample size of 18 samples, which was provided to the Council. Due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.</p>

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Grants received in advance		2023/24: unknown 2022/23: unknown	12	-	-	12	<p>The grants received in advance are split into:</p> <p>Revenue – current (£971k),</p> <p>Revenue – long term (£4,323k)</p> <p>capital (£3,286k).</p> <p>We obtained the listings for the nominal ledger codes and determined a sample size of 5 revenue samples and 7 capital samples, which were submitted to the Council. At the date of drafting this report, we have not received evidence for any of these samples and therefore due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.</p>

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Pensions Liability [Significant risk]		2023/24: unknown 2022/23: unknown	n/a	n/a	n/a	n/a	<p>Areas covered within this section include:</p> <ul style="list-style-type: none"> IAS19 – we have agreed the values in the IAS19 report agrees to the values included within the nominal ledgers and the draft statement of accounts both for the Council and those including the Council’s share of the Strata values. Reviewed the competence, capability and objectivity of the Managements expert – no issues noted Source data – we reviewed the source data, including the Council’s records which contains employer and employee pension contributions and pensionable payroll data. No issues were noted. Analytical reviews – we performed a series of analytical reviews and evaluated the results. The cumulative absolute difference (£412.6k) exceeded our set acceptable difference (£317.9k) however the net difference was £244.6k and therefore provides us assurance that there is no material misstatement. Pension liabilities – we have assessed the actuarial assumptions and methods behind the actuary’s calculations and have noted no issues. Pension assets – we have reviewed the letter of assurance provided by the pension fund auditor and have noted no issues. IFRIC14 – We have recalculated the IFRIC14 values and have agreed these back to the Actuary’s figures as well as to the values in the financial statements.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement							
Balance Sheet							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Reserves		2023/24: unknown 2022/23: unknown	n/a	n/a	n/a	n/a	<p>Areas covered within this section include:</p> <ul style="list-style-type: none"> - Working paper prepared for the Movement In Reserves Statement showing that the totals agree to CIES, adjustments between accounting basis and funding basis note and the transfer to / from ear marked reserves note. No issues were noted. - Adjustments between accounting basis and funding basis note – cross referenced the values in this note to where each item is testing within the file. No issues were noted. - Usable reserves – cross referenced to other notes / where tested on file. No issues were noted. - Transfers to / from ear marked reserves – agreement back to Council meeting minutes showing that the members have agreed the values to be carried forward. No issues were noted. - Unusable reserves - cross referenced to other notes / where tested on file. No issues were noted. - Management prepared the MIRS consistency checker however differences were noted. Due to the time constraints imposed by the backstop it is not practical to resolve the remaining differences.

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement

Comprehensive Income and Expenditure Statement

Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Fees and charges		2023/24: unknown 2022/23: unknown	34	19	-	15	The population for fees and charges was obtained, agreed to the nominal ledger and a sample of 34 items were selected for testing. During our testing, we queried samples relating to leisure centre charges as reconciliations were not provided of how our samples were traced to receipts within the bank transactions. Due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.
Grant income		2023/24: unknown 2022/23: unknown	41	16	-	25	<p>Areas covered within this section include:</p> <ul style="list-style-type: none"> - Completeness of grant income – All Government grants and contributions within Note 35 were compared to the prior year and the variances noted. Only one grant, the Future High Street Fund was received in the prior year and not in the current year, we were aware the Council would not be receiving this.. - Housing Benefits (HB) Grant – the total of £20,769k was tested in its entirety by agreeing the value back to the figure included in the MPF720A claim form. - Community Infrastructure Levy (CIL) Grant – the listings for the CIL grants were obtained. The sample sizes determined were 1 key item, 10 credits samples and 5 debit samples. No issues were noted. - Residual grants - the listings for the residual grants were obtained.. We selected 25 samples of residual grants for testing, however have been unable to clear any of these. After initial review of the information queries were raised. Due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.

Assessment

- **[Red]** We were unable to fully test the balance/transaction.
- **[Amber]** We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- **[Green]** We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement

Comprehensive Income and Expenditure Statement

Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Employee Benefit Expenditure		2023/24: unknown 2022/23: unknown	Routine 1 – 2 samples Routine 2 – 53 samples Routine 3 – 5 samples Routine 4 – 5 samples Routine 5 – 5 samples Routine 6 – 5 samples Starters / leavers and changes in circumstances – 36 samples	Routine 1 – 2 samples Routine 2 – 53 samples Routine 3 – 5 samples Routine 4 – 5 samples Routine 5 – 5 samples Routine 6 – 2 samples Starters / leavers and changes in circumstances – 36 samples	Routine 1 – 0 samples Routine 2 – 0 samples Routine 3 – 0 samples Routine 4 – 0 samples Routine 5 – 0 samples Routine 6 – 3 samples Starters / leavers and changes in circumstances – 0 samples	-	Payroll reconciliation – management have been unable to provide a payroll reconciliation that agrees the payroll reports to the general ledger. Payroll testing – Due to the previous two years being subject to a backstop disclaimer opinion, we have been unable to complete a payroll SAP and have therefore used the AAA digital tool to inform our testing strategy. Within the payroll testing, we have completed the following: - Agreed the total of each month's payroll to the bank statement to confirm that the figures were the same - Recalculated the pension calculation using the payroll costs and multiplied by the pension contribution rate and compared this to the pension contributions figure in the financial statements. No issues have been noted in this area. - Recalculated the National Insurance using the payroll costs, average number of full-time equivalent staff and multiplied by the NI Contribution rate and compared this to the National Insurance contributions figure in the financial statements. No issues have been noted in this area. - Routine 1 – duplicate details – the digital tool highlighted two individuals who had the same bank account details. We therefore reviewed their payslips and starters forms and confirmed that the two individuals share an address. Management confirmed that these two individuals are married. No issues have been noted in this area. - Routine 2 – employees paid outside of their employment period – the digital tool has highlighted 53 employees that appear to have been paid before the individual started or more than 30 days after they left employment. We have reviewed all 53 employees and noted that these payments relate to payments made in the month following the employees last working day, back dated pay after the individual leaves employment where the bank details need to be confirmed before paying over and some instances where the tool picked up nil entries. No issues have been noted in this area.

Assessment

● [Red] We were unable to fully test the balance/transaction.

● [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.

● [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Employee Benefit Expenditure - continued		2023/24: unknown 2022/23: unknown					<p>- Routine 3 – employees with more than one payment on the same day – the digital tool highlighted 5 employees who appear to have more than one payment on the same day – we reviewed the corresponding payslips and noted that these employees have more than one role with this Council and therefore no issues have been noted in this area.</p> <p>- Routine 4 – monthly increases in pay above 5% - the digital tool highlighted 5 employees who appear to have a monthly increase above 5%. For these 5 employees, we reviewed two payslips (the month selected as having an increase of greater than 5% and the previous month) and confirmed that in each case, backdated pay had been awarded resulting in the higher pay. No issues have been noted in this area.</p> <p>- Routine 5 – larger than average salaries - The digital tool has analysed payroll reports uploaded, to identify any payments made that are greater than 2 standard deviations from the mean salary for that job role and selected 5 items to test. We have reviewed the payslip for each of these 5 employees and confirmed that these were selected due to back pay being awarded in the month. No issues have been noted in this area.</p> <p>Routine 6 – sample testing of payroll reports – we selected a sample of 5 payments to be tested and for each payment we agreed the sample back to supporting evidence, agreed that the computation is accurate, checked that the amount is accurately recorded, agreed that the amount occurred and pertains to the entity and that the amount has been recorded in the correct financial period. The Council was unable to provide any supporting documentation in relation to 3 elements of one employees payslip which did not allow for the audit team to recalculate the earnings per the payslip. Under normal circumstances, the audit team would conduct further testing but due to the legal backstop deadline and timing of client responses there is insufficient time to allow for this.</p> <p>- Starters, leavers and changes in circumstances – we selected a sample of 12 starters, 12 leavers and 12 changes in circumstances. We tested these samples back to supporting evidence to show that these were valid.</p>

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Employee Benefit Expenditure - continued		2023/24: unknown 2022/23: unknown					<p>Our work has resulted in two findings to bring to the attention of those charged with governance.</p> <p>1. Several of the forms we were provided with were not signed by the employee and/or their manager and one form was even signed with the wrong name and date. This is not in line with the Council's policies. We would therefore recommend to Management that the HR team are reminded of the importance of accurate and timely record keeping.</p> <p>2. Two of our samples related to members and upon investigation it was noted that there are no official starters and leavers process for Councillors. We would therefore recommend to Management that consideration is given to whether a formal starters and leavers process should be introduced for members.</p>

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement

Comprehensive Income and Expenditure Statement

Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Housing Benefits		2023/24: no 2022/23: unknown	33	33	-	-	Areas covered within this section include: <ul style="list-style-type: none"> - Module 2 – within this testing we check to ensure that the parameters of the software used have been updated so that the calculations are correct - Module 5 – within this testing we check to ensure that the correct software version is being used by the Council and that any software patches have been updated - HB expenditure testing – the total population of HB expenditure is £21.2m broken down into Rent Allowances of £20.2m and non-HRA of £1m. We cleansed the population from contra entries and using the AAA digital tool, split the population into large items, debits, credits and low value items. This has determined a sample size of 33 items (28 from debits and 5 from low value items). No issues were noted.
Other Services Expenditure		2023/24: unknown 2022/23: unknown	97	5	-	92	We obtained the listing for operating expenditure and agreed this back to the trial balance and financial statements. We determined a sample size of 97 items. Due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.
Precepts and levies		2023/24: no 2022/23: unknown	7	7	-	-	To test precept income, we obtained the listing of precepts due to the Council from the face of the Collection Fund within the financial statements and agreed each precept back to supporting documentation. No issues were noted. To test precept expenditure, we obtained a listing and agreed this back to the expenditure noted in the financial statements. We then pivoted the data such that the precept for the selected parish could be tested as a whole. The sample size determined was 7. The samples were agreed to supporting documentation and no issues were no noted.

Assessment

● [Red] We were unable to fully test the balance/transaction.

● [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.

● [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Council tax income and non-domestic rates		2023/24: unknown 2022/23: unknown	20	10	-	10	<p>For Council tax, we performed substantive analytical procedures (SAP) to determine a value for council tax and compared this to the values in the financial statements. We did not note any issues. Within the council tax SAP, we included a number of council tax reliefs. We therefore selected a sample of 10 of these tax reliefs and re-performed the calculations and agreed the values back to source documentation. We did not note any issues.</p> <p>For non-domestic rates, we performed substantive analytical procedures (SAP) to determine a value for NNDR income and compared this to the values in the financial statements. We did not note any issues. Within the council tax SAP, we included a number of NNDR reliefs. We therefore selected a sample of 10 of these tax reliefs, however at that time of drafting this report management had not been able to provide sufficient supporting documentation for this sample. Due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.</p>

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement							
Other areas of testing							
Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Expenditure and Funding Analysis		2023/24: no 2022/23: unknown	n/a	n/a	n/a	n/a	We have agreed the Expenditure and Funding Analysis (EFA) and related notes to the outturn reporting and to the comprehensive income and expenditure statement.
Remuneration disclosures		2023/24: unknown 2022/23: unknown	n/a	n/a	n/a	n/a	We have reviewed the senior officer remuneration note and requested payslips for Senior Officers as well as to support the bandings disclosed in the financial statements. At the time of drafting this report, this evidence remains outstanding. Therefore, due to the statutory audit backstop, we lack sufficient time to complete the planned audit procedures in this area. Consequently, we are unable to conclude our work in this area.
Leases		2023/24: no 2022/23: unknown	15	15	-	-	Areas covered within this section include: We have obtained a listing of leases that the Council currently have open both as lessee and lessor and have selected a sample of each type – 6 (as lessee) and 9 (as lessor). There have been some trivial differences noted. We have also reviewed the leases disclosure note and have confirmed that this is in line with the CIPFA code.
Audit fees		2023/24: no 2022/23: unknown	n/a	n/a	n/a	n/a	We agreed the figures in the audit note to the general ledger and to the values stated in the audit plan. No issues were noted.

Assessment

● [Red] We were unable to fully test the balance/transaction.

● [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.

● [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement

Other areas of testing

Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Capital Expenditure and Financing		2023/24: no 2022/23: unknown	n/a	n/a	n/a	n/a	<p>Areas covered within this section include:</p> <ul style="list-style-type: none"> Minimum Revenue Provision (MRP) – we recalculated the MRP and compared the values to those used by Management. A difference was noted between the values due to our calculations using an updated PWLB rate compared to that used by the Council as they have used an average rate to be more prudent. We reviewed the MRP policy and note that this is in-line with CIPFA guidance. We also reviewed the matters raised in the prior year audit findings report with regard to the MRP calculation and note that these matters have been resolved. Capital Financing Requirement (CFR) – we have agreed the values back to management's working papers and supporting notes within the financial statements.
Financial Instruments		2023/24: no 2022/23: unknown	n/a	n/a	n/a	n/a	<p>We have agreed the financial instruments note back to other notes within the financial statements and no issues were noted.</p> <p>We also reviewed the disclosures around financial instruments and agreed that these are in agreement with IFRS 7 and IFRS 9.</p>
Statement of cash flows		2023/24: unknown 2022/23: unknown	n/a	n/a	n/a	n/a	<p>We have agreed the cash flow statement and related notes to other notes within the financial statements.</p> <p>We noted the following:</p> <ul style="list-style-type: none"> A balancing figure of £32,912 is included within 'Other investing activities' Note 30 – has nil values for both years in several lines within the note Two incorrect entries shown in note 29 for the proceeds and purchases of investments – these entries do however contra to nil in the note. See Disclosure misstatements in Appendix E. <p>However, as the work over the cash flow statement compares the cash movement between balances sheet categories such as PPE, Debtors and Creditors and we (as per sections above in this note) are not giving assurances over the closing balances of these sections, we cannot therefore give assurance over the cash flow statement as at 31 March 2024.</p>

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

D. Status of audit testing 2023/24

Primary Statement

Other areas of testing

Financial Statement Line Item	Status	Likely to be materially misstated	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Journals		n/a	113	113	n/a	n/a	<p>During our audit work we noted that a full general ledger download could not be provided in a timely manner by Management. In order to assess journals therefore, we were able to download a report showing the journals over £50k which had been posted. A review of this download highlighted that the Director of Finance and the Deputy Director of Finance had been posting journals throughout the financial year. We therefore selected each of their journals to test to give us assurance over the management override of controls. In total, we therefore selected 113 journals to test, with 42 being posted by the Director of Finance and 43 by the Deputy Director of Finance.</p> <p>Our testing also noted gaps in the sequential numbers of the journals posted. This is due to a manual numbering system being used and users “taking” journal numbers to use and then that then number no longer being needed.</p> <p>We also noted that users can self-authorise their own journals. We therefore recommend that management consider amending their processes such that the self-authorisation of journals is removed.</p> <p>Please see Appendix B for actions raised.</p>

Assessment

- [Red] We were unable to fully test the balance/transaction.
- [Amber] We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.
- [Green] We were able to test the balances and conclude for 23/24 and we did not identify any significant issues

E. 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 2024.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
None noted	nil	nil	nil	nil

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?
Note 14 (1) Add sub-heading 'Revaluations' before revaluations narrative to make it more clear what the paragraphs relate to (2) Request that the Capital commitments be reported before or below the revaluation narratives as it currently sits in the middle (3) Request that the Council add 22/23 comparative figures for Capital Commitments to Note 14.	✓
Note 29 'Purchases of short term and long term investments' Cashflows from Investing Activities have been understated by £1 million and as a result, sales proceeds were also understated by £1million. We would expect an increase in 'Purchases of short term and long term investments' from £7m to £8m, an increase of 'Proceeds from short term and long term investments' from (£9m) to (£10m) with no net movement to cash flows from investing activities.	✓
Note 33 -In line with CIPFA guidance 1144, the Chief Executive's name should be disclosed along with salary for those earning a salary of over £150k.	✓
During the audit, various other minor disclosure updates were made to the financial statements to improve readability or correct more trivial findings.	✓

E. Audit Adjustments

Misclassification and disclosure changes - continued

Disclosure Omission	Adjusted?
<p>Narrative Report</p> <p>We noted that there is no information about the backstop audit in prior years in the Narrative Report. We recommended that this disclosed.</p>	X
<p>Accounting Policies</p> <p>We noted that accounting policies have been included within the financial statements for investment property and heritage assets. We recommended that these policies should be removed as these are not material values.</p>	X
<p>Note 14</p> <p>The disclosure included within the note suggested that all properties within the Council’s portfolio were valued by the internal valuer. We noted that some of the properties had been valued by an external valuer and therefore we recommended that this matter be disclosed.</p>	X

E. Audit Adjustments (continued)



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 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	Impact on general fund £'000	Reason for not adjusting
SANGS – See page 13 for details. This will be included as a qualification in the audit opinion.	Dr Expenditure 2,512	Cr Long Term Debtors (2,512)	2,512	2,512	Management preference
Overall impact	£2,512	(£2,512)	£2,512	2,512	

Impact of prior year unadjusted misstatements

Due to the 2022/23 financial statements being subject to a backstopped audit opinion, no unadjusted misstatements were recorded.

We have reviewed the unadjusted misstatements in the 2020/21 Audit Findings Report, as the last year of audit, and note that none of these would carry forward in to the 2023/24 financial year.

F. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee	£144,930	£144,930
ISA 315	£7,530	£9,415
Additional VFM Fee	TBC	£58,550
Reduced materiality and general delays in the audit process	TBC	£62,280
Objection	TBC	TBC
Total audit fees (excluding VAT)	£152,460	£275,175

F. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services Grant Claims	£14,500	TBC
Total non-audit fees (excluding VAT)	£14,500	£TBC

Total audit and non-audit fee

(Audit Fee) £275,175	(Non Audit Fee) £14,500
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The initial fees reconcile to the financial statements. fees per financial statements. Updated fees are to be approved by PSAA, and have not been reflected in the draft financial statements.

None of the above services were provided on a contingent fee basis

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

G. Audit opinion

See separately submitted paper

