



# The Annual Audit Letter for Devon County Council

---

**Year ended 31 March 2014**

24 October 2014

**Elizabeth Cave**

Director

T 0117 305 7885

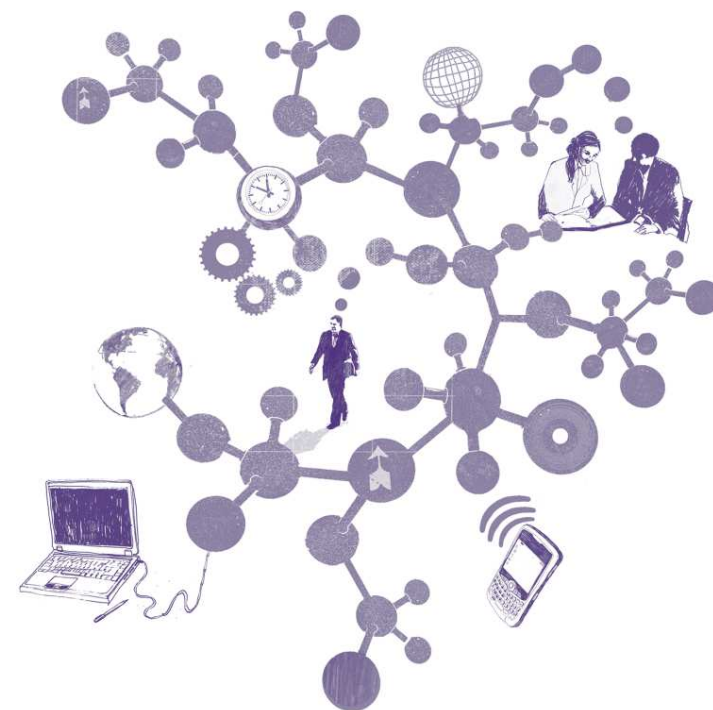
E [liz.a.cave@uk.gt.com](mailto:liz.a.cave@uk.gt.com)

**Peter Lappin**

Senior Manager

T 0117 305 7865

E [peter.lappin@uk.gt.com](mailto:peter.lappin@uk.gt.com)



---

# Contents

## **Section**

## **Page**

1. Key messages

3

## **Appendices**

A Key issues and recommendations

B Summary of reports and audit fees

# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Devon County Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 27 March and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## **Financial statements audit (including audit opinion)**

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 25 September to the Audit Committee. The financial statements were very well prepared and we identified few amendments. We had not identified any adjustments affecting the Council's reported financial position but we identified a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements were:

- the Council implemented our recommendations from last year – 2012/13 by including in the balance sheet the Private Finance Initiative (PFI) liabilities for all six schools and the landfill provision.
- the Council included the additional disclosures that we suggested during the audit and corrected some minor typographical errors
- the financial statements were supported by a high standard of working papers in accordance with the agreed timetable supported by excellent assistance from the finance team.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council. We also issued an unqualified opinion on the Pension Fund financial statements on 29 September 2014.

# Key messages

## **Value for Money (VfM) conclusion**

We issued a qualified VfM conclusion for 2013/14 because the Council had made insufficient progress in addressing the issues raised by Ofsted in 2013 when it rated the Council's children's services as inadequate. The issue also resulted in a qualified VfM conclusion for 2012/13.

This year we considered the findings of the April 2013 Ofsted report and the subsequent letter from the Department for Education dated July 2014 on the Council's arrangements for the protection of children. Whilst recognising that improvements had been made, the July 2014 letter raised concerns about "...the apparent lack of progress in some significant areas..." As the review related to a significant service we judged this to be of sufficient impact to require a qualification of the value for money conclusion.

The Council is addressing a major financial challenge which will require changes to many services over the next few years. Plans are being developed for the financial year 2015/16 and beyond but there remain some significant uncertainties. Transformation of the way that key services are being provided is underway but will take time to deliver the necessary change. There remain risks to the Council's future financial position until these transformational projects are delivered and the savings are realised.

The Council underspent its budget for 2013/14 through a combination of strict budget discipline to curtail the overspending in People's Services and underspends in Place such as the deferral of work on highways.

The Council has detailed savings plans for 2014/15 and there is regular monitoring of the delivery of these savings plans within leadership teams in the Council. Some of these projects extend into future years together with expected savings. There are other schemes for 2015/16 and beyond which have yet to start. The Council has risk rated these schemes and they are in various stages of development. Some schemes are in outline format and await public consultation and Member decisions. Once the Council has agreed the savings plans for the coming year the Council should consider publishing these plans along with a report showing the amount of savings delivered from the previous year.

---

# Key messages

<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.
<b>Certification of grant claims and returns</b>	We will undertake the work on the South Devon Link Road transport claim in November.
<b>Audit fee</b>	Our fee for 2013/14 was £140,374, excluding VAT which was in line with our planned fee for the year and is the same as the previous year. Further detail is included within appendix B. We expect a reduction in the fee for certification work as teachers' pensions is no longer covered by a certification instruction.

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>As at June 2014 the Council had made insufficient progress in addressing the issues arising from the 2013 Ofsted inspection of children's services.</p> <p><b>Recommendation:</b> The Council should focus on how progress can be accelerated now the staffing structure is in place.</p>	High	<p>Agreed</p> <p><b>Responsible officer:</b> Strategic Director, People <b>Due date:</b> Ongoing</p>
2.	<p>The Council provides regular public budget reports on the Council's overall financial position. In order to achieve the long term cost reductions required in the Medium Term Financial Strategy the Council has to deliver transformational savings. There is robust monitoring during the year of the savings plans by management. It may help to provide Members and the public with an outline of the savings realised.</p> <p><b>Recommendation:</b> The Council should consider how the achievement of savings plans are reported to members.</p>	Medium	<p>Members receive high level reports from the corporate centre that bring to their attention anything that is not going according to plan. In addition any financial issues are incorporated within the regular budget monitoring reports.</p> <p>We do not consider additional reporting is required.</p> <p><b>Responsible officer:</b> County Treasurer</p>

# Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	140,374	140,374
Grant certification fee	6,100	*3,652
<b>Total fees</b>	<b>146,474</b>	<b>144,026</b>

\* indicative fee - The Audit Commission no longer requires auditors to certify the Teachers' Pension return and has reduced the indicative fee (for the transport claim on South Devon Link Road) to £3,652. This remains an indicative fee until the work is completed but we expect that the actual fee will be lower than £3,652.

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

Report	Date issued
Audit Plan	March 2014
Audit Findings Report	September 2014
Certification report	December 2014 (expected)
Annual Audit Letter	October 2014



© 2014 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

**[grant-thornton.co.uk](http://grant-thornton.co.uk)**