

The Audit Plan for Devon County Council

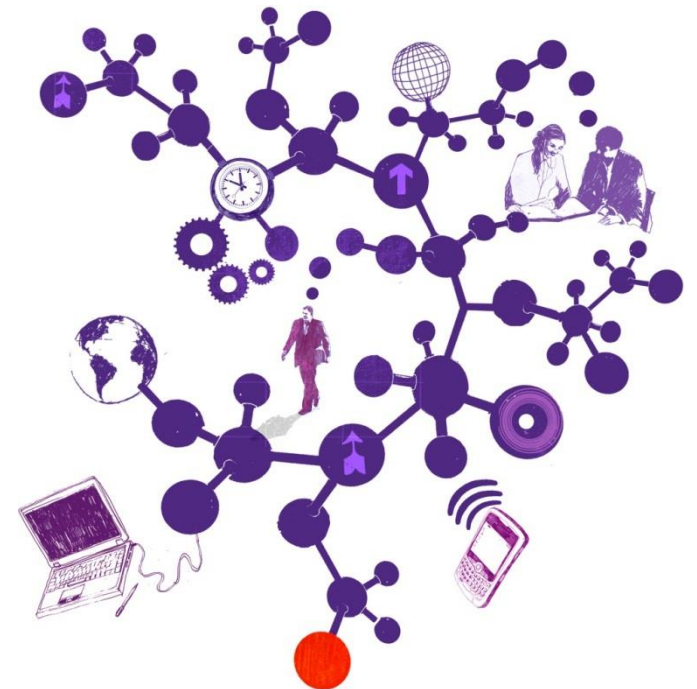
Year ending 31 March 2016

15 March 2016

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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 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 any 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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15 March 2016

Dear Members of the Audit Committee

Audit Plan for Devon County Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Devon County Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), 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.

Yours sincerely

Elizabeth Cave

Director

Chartered Accountants

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A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Over the five year period 2011/12 to 2015/16 the Council has had to make savings of £174 millions. Whilst the Council has balanced its budgets for 2015/16 and 2016/17, savings of £36.9m still need to be identified for future years.
- Particular cost pressures have occurred in children's services in 2015-16.

2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- Devon has been working closely with councils in Somerset, Plymouth and Torbay along with Dartmoor and Exmoor National Parks, and the Heart of the South West Local Enterprise Partnership on an initial submission or Statement of Intent and have issued a proposal to commence negotiations with government.

4. Integration with health sector

- Developments such as the increased scope of the Better Care Fund and transfer of responsibility for public health to local government are intended to increase integration between health and social care.
- Devon County Council is the administering authority for the Better Care fund budget of £59.7m.
- The Council is also part of the Devon Success regime where commissioners and providers of health services have been subject to national intervention. The initiative aims to protect and promote services for patients in local health and care systems and ultimately secure sustainable services for the population.

5. Ofsted

- In 2014-15 there was an Ofsted re-inspection of children's services. The overall judgement given was 'requires improvement'.
- In addressing the findings, the Council has invested heavily in its Children's services



Our response

- We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.
- We will continue to monitor progress in controlling costs within people services.
- We will review the Council's arrangements for identifying and delivering transformational savings that will enable the medium term position to be sustainable.

- We will consider your plans as part of the local devolution agenda.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will consider how the Council has reflected changes to its responsibilities in relation to public health and how it is working with partners, as part of our work in reaching our Vfm conclusion.
- We will review the Council's treatment of entries relating to the pooled budgets including the Better Care Fund in the financial statements.

- We are pleased to see that the Department of Education is satisfied with the Council's progress and has ended its formal intervention in Devon's Children's services.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Highways Network Assets

- Although you are not required to include Highways Network Assets until 2016/17, this will be a significant change to your financial statements and you will need to carry out valuation work this year.

4. Joint arrangements

- Councils are involved in a number of pooled budgets and alternative delivery models which they need to account for in their financial statements.
- Devon County Council is the administering authority for the Better Care fund budget of £59.7m

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.



Our response

- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

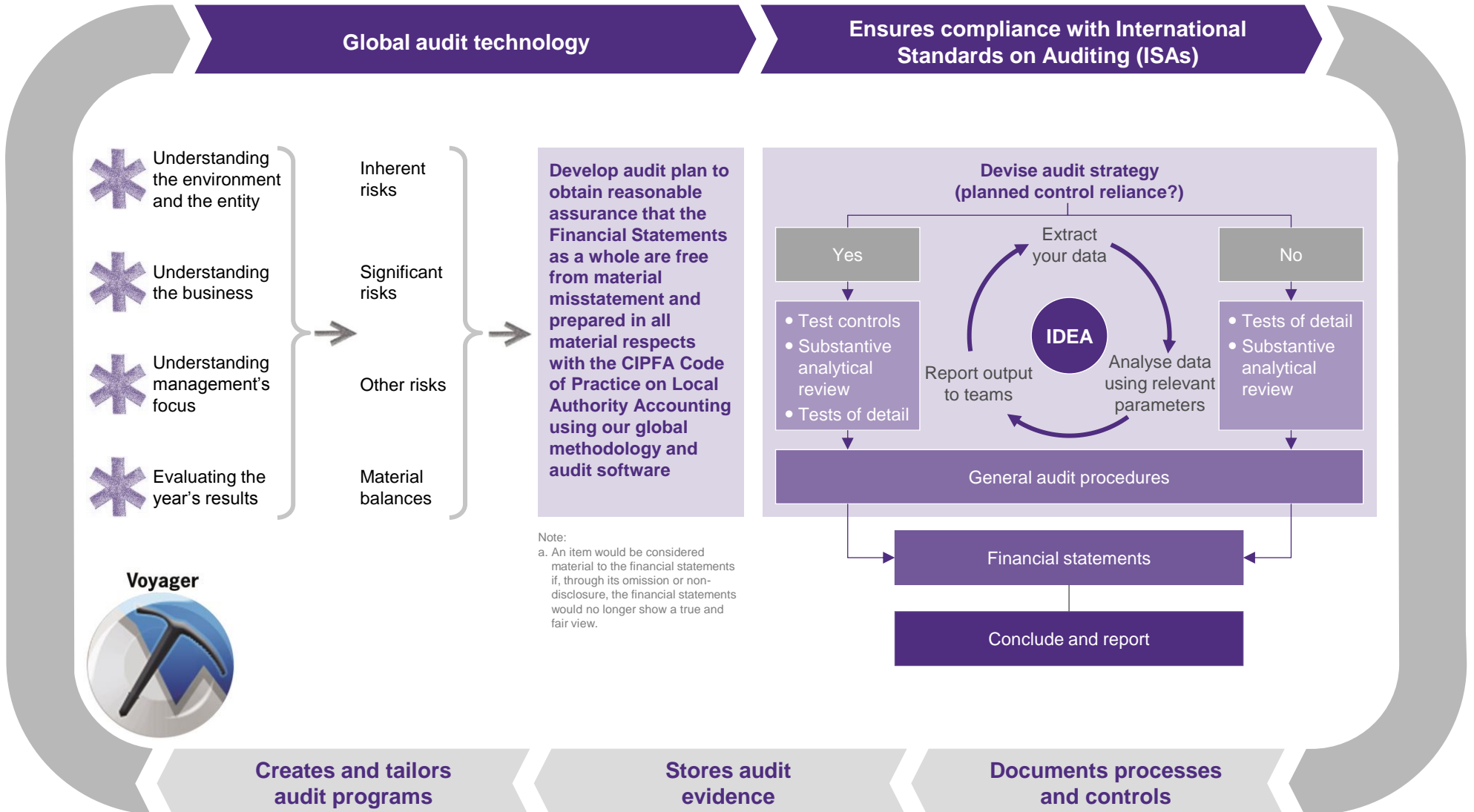
- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will discuss your plans for valuation of these assets at an early stage to gain an understanding of your approach and suggest areas for improvement.

- We will review your proposals for accounting for these arrangements against the requirements of the CIPFA Code of Practice.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your financial statements by 31 August 2016 as a 'dry run'

Our audit approach



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £20m (being 1.75% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

In the previous year, we determined materiality to be £22.856m (being 2% of gross revenue expenditure). The reason for the difference is that given the economic and financial pressures the Council faces we consider £20m (1.75%) to be the level that users of accounts would consider as material.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £1m.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	Within the right salary band
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1,000

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Devon County Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • 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 Devon County Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries and review of the control environment around journal posting. • Review of unusual significant transactions <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions • Review of year end expenditure out-turn against the in year forecast position and the reasons for the difference.

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of property, plant and equipment	The Council revalues its assets on a rolling basis over a five year period . The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Better Care Fund	<p>The Council has entered into a s75 pooled budget arrangement as of 1 April 2015 with NHS South Devon and Torbay CCG and NHS Northern Eastern and Western Devon CCG.</p> <p>The accounting arrangements for this are complex and there is a risk of material misstatement.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have discussed with the Council the need to gain an understanding of the Council's assessment of where control lies and the expected accounting entries to be made by the Council; which we understand the Council is in the process of agreeing with the other parties to the agreement. We will keep this under review. <p>Further work planned:</p> <ul style="list-style-type: none"> We will gain an understanding of the s75 agreements in place that govern the pooled budget. We will continue to work with the Council to gain an understanding of the Council's assessment of where control lies and the expected accounting entries to be made by the Council and confirm this is in line with accounting standards and the code. We will document and review the operating effectiveness of the Council's controls over the Better Care Fund (BCF) pooled budget. We will test the accounting entries made in respect of the BCF pooled budget to check they are consistent with our understanding of the arrangement and that transactions and balances recorded are consistent with those recorded by counterparty organisations, and are in accordance with accounting standards.
New PFI Scheme – South West Devon Waste Partnership	<p>The Council has entered into a new PFI waste partnership arrangement with Plymouth City Council and Torbay Council (the Partnership) in 2015/16.</p> <p>The accounting arrangements for this are complex and there is a risk of material misstatement and the potential for irregular expenditure.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have discussed with the Council the proposed accounting treatment and justification of this assessment and this is under review. We have gained an understanding of the agreements in place that govern the scheme. <p>Further work planned:</p> <ul style="list-style-type: none"> We will continue to work with the Council to gain an understanding of the Council's proposed accounting treatment and justification of this assessment and confirm this is in line with accounting standards and the code. We will review the PFI model to be used by the Council We will test the accounting entries made in respect of the PFI arrangement to check they are consistent with our understanding of the arrangement and the model.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of system documentation and walkthrough of transaction <p>Further work planned:</p> <ul style="list-style-type: none"> • Agree creditors to the ledger • Substantive testing of significant creditor balances • Review of after date payments to ensure all liabilities identified
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of system documentation and walkthrough of transaction <p>Further work planned:</p> <ul style="list-style-type: none"> • Reconcile the pay expenditure reported in the financial statements to total expenditure recorded in the payroll. • Trend analysis analytical review • Substantively test a sample of remuneration transactions.

Other risks identified (continued)

Other material balances and transactions

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

- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Review of new and significant IT finance systems introduced in year

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015 [here](#).

The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out.

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of good governance Understanding and using appropriate cost and performance information to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including the most recent report issued by Ofsted inspection on the Council's children's services in 2014/15 and the confirmation that the Department of Education has ended its formal intervention in Devon's Children's services.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

We have set out and detail overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Better Care Fund The Council is seeking to deliver wide ranging changes and greater integration to ensure the financial sustainability of adult health and social care services. Working with partners from different organisations and service areas with potentially conflicting priorities, the project is complex and high profile.</p>	<p>This links to the Council's arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control.</p>	<p>We will review the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these risks.</p>
<p>Medium term financial planning and transformational change Whilst the Council has set a balanced budget for 2015/16 and 2016/17, and has increased council tax by the maximum permitted, finding additional savings in future years remains a significant challenge. The latest medium term financial plan outlines that £36.9m of savings for 2017/18 onwards still need to be found. To achieve this whilst maintaining provision of service presents a challenge. The Council is engaging with external parties to identify opportunities for savings and transformational change. There is a risk of not achieving the required savings and the proposed transformational plans will be insufficient to bridge the gap in the medium term.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review the Council's arrangements for updating, agreeing and monitoring its Medium Term Financial Plan. Specifically we will consider the robustness of the financial planning assumptions and arrangements for ensuring the financial projections are realistic and achievable.</p> <p>Our review will also consider the transformational change programme and the arrangements in place for delivery.</p>
<p>Financial outturn During the year, the Council has forecast an overspend in the People's 2015/16 budget. of £8.8m. Across the Council, in People and Place services, there has been considerable budgetary pressure and as a consequence in recent years overspends have occurred on both sides of the business. Given the demands on the service during the year, the challenge to spend within budget remains.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review the Council's arrangements for 2016/17 budget setting including identification of savings plans. We will review arrangements for monitoring and managing delivery of the 2015/16 budget and savings plans.</p>

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach except for one issue concerning payroll which was previously identified by internal audit and has not been resolved. This concerns the authorisation of amendments to individual payroll records. This could result in inappropriate changes to the system being made. Based on this finding we are unable to place reliance on controls.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

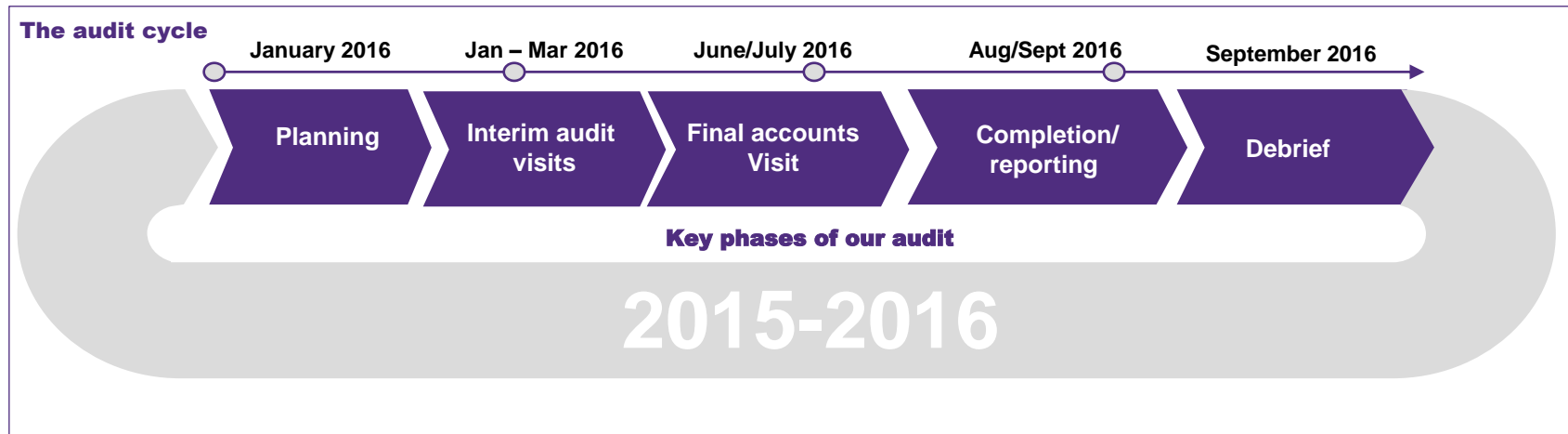
Results of interim audit work (continued)

	Work performed	Conclusion
Review of information technology controls	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. This included the areas employee remuneration, operating expenses and Property, Plant and Equipment.</p> <p>Our work has identified one issue which we wish to bring to your attention. For authorisations of changes to payroll data, signatures are not checked against an authorised signatory list. The effect of this is payroll data can be amended without the proper authorisation and inappropriate changes to the system could be made.</p>	<p>Our work has identified a weakness which has prevented us being able to place reliance on controls for employee remuneration. Our audit approach will consist of substantive testing only.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Authority's control environment or financial statements.</p> <p>However, we found that for large journals above £200k, these are not authorised by a separate individual when posted by a member of staff listed on the authoriser list. It is recommended that all journals posted above £200k are reviewed and authorised by a separate individual.</p> <p>No further issues have been identified that we wish to highlight for your attention.</p>	<p>We will undertake detailed testing on journal transactions processed during the whole year, as part of our audit of the draft financial statements, by extracting 'unusual' entries for further review, including those which have not been authorised by a separate individual.</p> <p>We have raised one recommendation and that is that all journals above a threshold determined by the Council should be authorised by a separate individual regardless of who has posted the journal.</p>
Early substantive testing	<p>We are proposing to carry out further early substantive testing in March in the following areas:</p> <ul style="list-style-type: none"> • Payroll – trend analysis for the first 9 months of the year and transaction testing of a sample of payroll items • PFI – Complete an assessment of the accounting treatment and update our assessment for the South West Devon Waste Partnership PFI • PPE – substantive testing of a sample of capital expenditure Transactions, existence testing on a sample of assets in the Fixed Asset Register and review of asset disposals. • Journals- complete detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. 	<p>We will report our findings in the ISA 260 Audit Findings Report to be issued at the end of the audit, unless we have any specific findings, which we need to raise with you earlier.</p>

Key dates



Date	Activity
January 2016	Planning
January to March 2016	Interim site visits
23 March 2016	Presentation of audit plan to Audit Committee
June/July 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with County Treasurer
7 September 2016	Report audit findings to those charged with governance (Audit Committee)
September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	105,281
Total audit fees (excluding VAT)	105,281

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'. Fees for audit related services in 2014/15 were £6,200.

Fees for other services

Service	Fees £
Audit related services: <ul style="list-style-type: none">• Teachers Pension return• SCITT claims	7,900
Non-audit services	n/a

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

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

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our 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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
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	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Changes to payroll data should be checked to ensure any changes made are valid and appropriate	Medium	<p>Signatory verification arrangements do not work well in larger organisations where there are high volume transactions being processed. Signature lists can quickly become out-of-date and this would then require considerable maintenance, creating inefficiency in the payroll processing cycle. It has been appreciated for some time that authorised signatory lists and checking to these lists is not a “workable control” for DCC, and such lists have not been used for a considerable time. As a result the Council has put in place a range of “compensatory” controls to provide for an appropriate control framework.</p> <p>In line with our discussions with GT, for 2015/16 we are carrying out a programme of sample checks to authenticate permanent pay transactions, which will be independently reviewed by our internal auditors, and this will then provide a basis for embedding a similar approach in future years to provide a suitable level of assurance.</p>	<p>Immediate.</p> <p>Head of HR</p>
2	All journals above a threshold determined by the Council should be authorised by a separate individual regardless of who has posted the journal.	Low	The number of journals this affects is very small but changes will be made to ensure this happens.	<p>1st April 2016</p> <p>Mark Fairchild</p>



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