

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

# The Audit Findings for Devon County Council

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Year ended 31 March 2019

23 July 2019



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

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## Headlines

This table summarises the key findings and other matters arising from the statutory audit of Devon County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<p><b>Financial Statements</b></p>	<p>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:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and</li> <li>• 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.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 5 to 13.</p> <p>We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>As at 23 July 2019, our audit is still in progress and there are some areas where the testing has yet to be fully completed. The major areas we are working on are:</p> <ul style="list-style-type: none"> <li>• debtors</li> <li>• income testing</li> <li>• investment 3<sup>rd</sup> party confirmations</li> <li>• financial instruments disclosures testing</li> <li>• review of Annual Governance Statement</li> <li>• finalisation of our internal 'hot review' process</li> <li>• final Partner review</li> </ul>
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## Headlines

This table summarises the key findings and other matters arising from the statutory audit of Devon County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. This covered the two risks we identified in our original risk assessment (covering the Council's medium term financial strategy and its ability to manage demand in adult's and children's services) as well as the new risk identified regarding a visit from Ofsted and a joint local area inspection from Ofsted and the Care Quality Commission (CQC).</p> <p>We have concluded that Devon County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>Our findings are summarised on pages 14 to 19.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>• certify the closure of the audit.</li> </ul>	<p>We have not exercised any of our additional statutory powers or duties but during the year did conclude our work regarding an objection made to last year's accounts.</p> <p>We have completed the majority of work under the Code but are unable to issue our completion certificate until we complete our work on your WGA submission and review the Pension Fund Annual Report.</p>

### Acknowledgements

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

# Summary

## Overview of the scope of our audit

This Audit Findings 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.

We have not had to alter or change our audit plan, as communicated to you on 27 February 2019, other than the new risk identified regarding a visit from Ofsted and a joint local area inspection from Ofsted and the Care Quality Commission (CQC). Further information is provided on page 19.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the County Council's Audit Committee meeting on 29 July 2019, as detailed in Appendix E. These outstanding items are on page 3 of this report.

## 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 calculations remain the same as reported in our audit plan, although we have no longer applied separate levels of materiality for related party transactions and senior officer remuneration. This was because there are no related party transactions outside the normal scope of the Council's business and because senior officer remuneration is not complex and is therefore not subject to the potential for error.

We detail in the table below our determination of materiality for Devon County Council.

	Amount (£)	Comments
Materiality for the financial statements	£23.8m	This was 1.9% of the prior year gross expenditure. We used this for planning stage and the year on year consistency of the Council's expenditure meant that this continued to be relevant.
Performance materiality	£17.8m	This is 75% of the materiality of the financial statements as a whole.
Trivial matters	£1.2m	This is 5% of the materiality of the financial statements as a whole .

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

1

### The revenue cycle includes fraudulent transactions

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

### Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, when producing our audit plan we determined that the risk of fraud arising from revenue recognition could be rebutted because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Devon County Council, mean that all forms of fraud are seen as unacceptable.

We therefore did not consider this to be a significant risk for Devon County Council.

We reviewed this assessment during the course of audit and no new information has come to light to change our original assessment.

2

### Management over-ride of controls

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

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 significant assessed risks of material misstatement.

### Auditor commentary

We have:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determine the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of the management override of controls.

# Significant findings – audit risks

Risks identified in our Audit Plan	Auditor Commentary
<p><b>3 Valuation of land and buildings</b></p> <p>The Authority 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 (£1.4 billion at 31 March 2018) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority's 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 have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>written to the valuer to confirm the basis on which the valuation was carried out;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>tested revaluations made during the year to see if they had been input correctly into the Authority's asset register and correctly reflected in the financial statements;</li> <li>met with the valuer and reviewed a sample of revaluations in detail; and</li> <li>evaluated 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 at year end</li> </ul> <p>Our audit work has not identified any issues in respect of valuation of land and buildings. See page 9 for our assessment of the estimations made in this area.</p>
<p><b>4 Valuation of pension fund net liability</b></p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1.1 billion in the Authority's balance sheet at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>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;</li> <li>evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>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;</li> <li>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</li> <li>obtained assurance from the auditors of the Devon 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.</li> </ul> <p>Our audit work has not identified any issues in respect of valuation of the pension fund net liability. See page 9 for our assessment of the estimations made in this area.</p>


## Significant findings - other issues

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 control deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>1 Potential impact of the McCloud judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £15,321k, and an increase in service costs for the 2019/20 year of £1,493k.</p> <p>Management's view is that the impact of the ruling is not material for Devon County Council and will be considered for future years' actuarial valuations.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p> <p>We have included this as an uncertainty within Appendix C.</p>



















# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
<b>Land and Buildings – Other - £699.6m</b>	<p>Other land and buildings comprises £623m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£77m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged Norfolk Property Services (NPS) to complete the valuation of properties as at 31 December 2018 on a five yearly cyclical basis. 85% of total assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £35m. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2018 through indices and assessing the movements in the assets that were revalued to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the property's values</p> <p>The total year end valuation of Other land and buildings was £699.6m, which is very similar to the figure in 2017/18 (£698.8m)</p>	<p>Please also see the findings on page 7 regarding the valuation of land and buildings</p> <p>As part of our work in this area we have:</p> <ul style="list-style-type: none"> <li>assessed management's expert</li> <li>reviewed the Council's arrangements for the completeness and accuracy of the underlying information used to determine the estimate</li> <li>met with the valuer and reviewed a sample of revaluations in detail</li> <li>reviewed the assets not revalued in the year by comparison to information provided by our auditor's expert, Gerald Eve</li> <li>assessed the adequacy of the disclosure of estimates in the financial statements. Note 5 states that the major estimation uncertainty for land and buildings valuations relates to depreciation whereas our view is that the valuation itself is also a significant estimate.</li> </ul>	 <b>Green</b>





## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated (Red)
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (Amber)
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious (Yellow)
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious (Green)

# Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment																								
<b>Net pension liability – £1,049m</b>	<p>Please also see the findings on page 7 regarding the valuation of the pension liability.</p> <p>As part of our work in this area we have:</p> <ul style="list-style-type: none"> <li>Assessed management's expert</li> <li>Used our auditor's expert (PwC) to assess the actuary and the assumptions made by the actuary. The key assumptions underpinning the actuarial valuation are:</li> </ul>	 <b>Green</b>																								
<p>The Council's net pension liability at 31 March 2019 is £1,049m (PY £1,101m)</p> <p>The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from the Devon Pension Fund.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £91m net actuarial loss during 2018/19.</p>	<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.35% to 2.45%</td> <td> Green</td> </tr> <tr> <td>Pension increase rate</td> <td>2.4%</td> <td>2.4% to 2.45%</td> <td> Green</td> </tr> <tr> <td>Salary growth</td> <td>3.9%</td> <td>3.1% to 4.35%</td> <td> Green</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24.1 years</td> <td>22.2 to 25.0 years</td> <td> Green</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>26.2 years</td> <td>25.0 to 26.6 years</td> <td> Green</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.35% to 2.45%	 Green	Pension increase rate	2.4%	2.4% to 2.45%	 Green	Salary growth	3.9%	3.1% to 4.35%	 Green	Life expectancy – Males currently aged 45 / 65	24.1 years	22.2 to 25.0 years	 Green	Life expectancy – Females currently aged 45 / 65	26.2 years	25.0 to 26.6 years	 Green	
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	<ul style="list-style-type: none"> <li>Assessed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>Checked the reasonableness of the Council's share of the Pension Fund assets.</li> <li>Assessed the reasonableness of the change in the estimate</li> <li>Reviewed the adequacy of disclosure of estimate in the financial statements.</li> </ul>																									

## Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated (Red)
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (Amber)
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious (Yellow)
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious (Green)

# Significant findings - Going concern

## 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).

## Going concern commentary

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### Management's assessment process

Management have prepared the financial statements on a going concern basis. This has been included as a critical judgement in the application of the Council's accounting policies.

Management's view is that the concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future as an authority can only be discontinued under statutory prescription. Although Central Government funding is being cut significantly, management is of the view that this will have no effect on Devon County Council as a going concern.

Management have prepared a high level cashflow forecast up to 2023/24 and provided us with a detailed assessment as to why the going concern principle is applicable. This assessment was approved by the Audit Committee in May 2019.

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### Work performed

We reviewed the assessment prepared by the Council in May 2019 and assessed whether the assumptions within this were still relevant.

We reviewed the Council's cash flow forecasts and considered whether the disclosure in its financial statements was adequate.

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### Concluding comments

- Management have completed a detailed assessment regarding the applicability of the going concern principle.
  - We concur with management's view that the financial statements should be prepared on a going concern basis and that no material uncertainty exists regarding the Council's ability to continue as a going concern.
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## Other communication requirements

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

Issue	Commentary
① <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit 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.</li> </ul>
② <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
③ <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
④ <b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council, which is included in the Audit Committee papers for 29 July 2019.</li> <li>A specific representation has been requested from management in respect of the significant assumptions used in making the assessment of the implications of the McCloud judgement (see page 8 of this report).</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to its bankers and to organisations the Council had placed investments or borrowed money from. This permission was granted and the requests were sent, although to date not all of the required responses have been received. If these are not provided, we will undertake alternative audit procedures.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements. We have made recommendations regarding the disclosures relating to estimates and uncertainties.</li> </ul>
⑦ <b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management was provided.</li> <li>We did experience difficulties with some of the working papers provided by the Council, especially for some balance sheet items. The Council provided a full list of transactions – some of which were not in the closing balance – in some cases whereas we require only the reconciled year end balances. We will work with the Council regarding this to improve the process in future.</li> </ul>

## Other responsibilities under the Code

Issue	Commentary
① <b>Other information</b>	<ul style="list-style-type: none"> <li>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> <li>No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect – refer to appendix E.</li> </ul>
② <b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters. As noted on page 3, our review of the Annual Governance Statement is not yet complete.</p>
③ <b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £500m for income and expenditure we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>This work has a later deadline of 13 September 2019 and cannot commence until our audit of your financial statements has been completed.</p>
④ <b>Certification of the closure of the audit</b>	<p>We are unable to certify the closure of the 2018/19 audit of Devon County Council in the audit opinion, as detailed in Appendix E, as we have not completed our work on your WGA submission or reviewed the Pension Fund Annual Report.</p>

# Value for Money

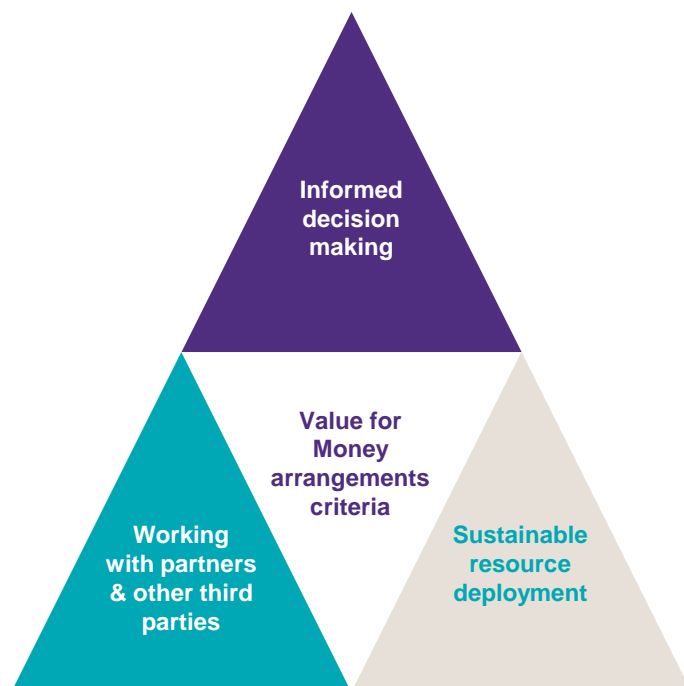
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



## Risk assessment

We carried out an initial risk assessment in early 2019 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated on 27 February 2019.

Our risk assessment is a dynamic process and we have identified a new risk since we issued our Audit Plan. This risk arises from the fact that during 2018/19 Ofsted and the CQC carried out a Joint Local Area Inspection and Ofsted undertook a two day focussed visit.

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

# Value for Money

## Our work

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

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council's medium term financial strategy;
- The significant pressures with demand-led services, especially with children's and adult's services; and
- The findings reported following the Joint Local Area Inspection carried out by Ofsted and the CQC and a two day focussed visit by Ofsted.

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

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

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

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

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

## Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment.

### Significant risk from the audit plan

#### Securing a sustainable financial future

The Council's medium term financial strategy shows that future savings will be required in order to set a balanced budget.

### Audit work and Findings

The Council's budget for 2019/20 and its medium term financial strategy were agreed February 2019. 2019/20 is the last year of the Government's four year settlement and so whilst there is certainty over that year, beyond that the picture across the whole of the Local Government sector is unclear. There is therefore a significant level of risk associated with the Council's funding arrangements from 2020/21 onwards.

The Council's anticipated savings in the coming years, as set out in its medium term financial strategy, are as follows:

	2019/20	2020/21	2021/22	2022/23
Net Budget (£000)	509,988	539,870	538,435	541,775
Savings already identified and reflected in net budget (£000)	13,398	2,155	1,464	100
Savings still to be identified (£000)	0	26,391	22,234	22,901
Total savings to be delivered (£000)	13,398	28,546	23,698	23,001
Total savings as percentage of net budget	2.6%	5.3%	4.4%	4.2%

The savings target for 2019/20 is the lowest required in the last nine years, although this rises significantly based on the Council's predictions for the next three years. Given the scale of the future savings and the time taken to develop effective savings plans, the Council may need to use some of its reserves in 2020/21 in order to achieve a balanced financial position. However, this is clearly not a sustainable position and the County Council will need to exercise restraint if it decides to use its reserves for this purpose.

The Council's transformation programme is still underway but has not delivered any savings to date nor is it expected to do so in 2019/20 and so any potential benefits of this programme have not been reflected in the Council's medium term financial strategy. It is essential to ensure that the transformation programme is kept under review to ensure that its original aims are achieved from both a service delivery and financial perspective.



**Key findings**

We set out below our key findings against the significant risk we identified through our initial risk assessment.

**Significant risk  
from the audit plan****Securing a sustainable financial future (continued)****Audit work and  
Findings**

As far as 2018/19 is concerned, the Council achieved a small underspend of £63,000, although was after transfers to and from reserves are taken into account. This positive outturn also reflects a number of one-off gains such as the business rates pilot and a revision to the minimum revenue provision and achieving savings in year was difficult, with Children's Services overspending by almost £10m.

These one-off gains enabled the Council to strengthen its balance position significantly, with its General Fund and other earmarked reserves increasing by over £21m in the year. These reserves can provide a short-term buffer once the Government's settlement for 2020/21 and beyond is known.

**Conclusion**

The Council has adequate arrangements in place to set a balanced budget.

## Key findings

We set out below our key findings against the significant risk we identified through our initial risk assessment.

### Significant risk from the audit plan

#### Managing demand-led services

All upper tier authorities, including Devon County Council, are experiencing significant pressures with demand-led services, especially with children's and adult's services.

### Audit work and Findings

As noted on the previous page, children's services overspent by almost £10m in 2018/19 (£2.6m in 2017/18) and this area is also considered a risk in 2019/20, despite the action being taken by the Council to try to manage demand and control expenditure.

Children in care remains a key pressure for all upper tier authorities, with individual care packages for the most vulnerable children often being a significant weekly cost for each placement. Although the spend has increased in Devon, the Council's analysis shows that it is still below nearest neighbours.

The Council has invested in 'Edge of Care' initiatives to help address issues at source and to prevent entry of children into care in the first place. Where this is done effectively, better outcomes – both in the short and long term – can be achieved for the child, their families and the Council Tax payer. The Council has also invested funds to provide a more speedy exit from care and to support children better once they move on from being the Council's responsibility. Again, this can have a positive impact for everyone involved. The benefits of these initiatives are expected to be realised in 2020/21 and the Council should ensure that these they are closely managed in order to ensure that these initiatives are delivering the expected outcomes.

As far as adult's services are concerned 2018/19 achieved an underspend in 2018/19 of almost £700,000. Although adult's services, as with children's services, is a demand-led service, this underspend has been achieved through a combination of additional funding and managing demand, with the number of cases for older people being less than in previous years.

The Council recognises it needs to do more to manage demand and reduce the totals costs for those aged 18 to 64 and it acknowledges that, being demand-led, the services remains a risk in 2019/20. This therefore needs to be closely managed.

### Conclusion

The Council has adequate arrangements in place to identify demand pressures within key services and to take remedial action.

## Key findings

We identified the following significant risk after we had completed our initial risk assessment.

### Significant risk identified since our audit plan was issued

#### Ofsted and Care Quality Commission (CQC) visits

During 2018/19 Ofsted and the CQC carried out a Joint Area SEND Inspection and Ofsted also undertook a two day focussed visit.

### Audit work and Findings

In December 2018 a Joint Area Inspection was undertaken in Devon.

The inspection included Ofsted inspectors and Inspectors from the CQC to judge the effectiveness of the area in implementing the disability and special educational needs reforms as set out in the Children and families Act 2014. This involves services for children and young people with special educational needs and / or disabilities – known as SEND.

The inspection determined that a Written Statement of Action was required because of significant areas of weakness in local area's practice and noted that the local area had been too slow to implement the 2014 SEND reforms. The Council and NHS Devon CCG were jointly responsible for this Written Statement of Action. However, Ofsted considered the initial joint response as 'not appropriate' and have asked for a revised response from the Council and the CCG, strengthening some aspects..

In May 2019 Ofsted Inspectors undertook a two day focussed visit to Devon County Council looking at the Council's arrangements for children in need and those who are subject to a child protection plan. Ofsted reported that senior leaders, including elected members, have focussed their time and energy on creating an environment in which children can receive a better service than when the County Council's children's services were last inspected by Ofsted in 2015. The Council's workforce has been stabilised at all levels and social work caseloads have been brought down to a manageable level. In all areas covered by the visit, Ofsted concluded that the Council knows its strengths and weaknesses well.

However, Ofsted did report that Devon County Council has three main priorities for improving the lives of children who live in the County: timely assessments, accurate planning and consistent supervision. Ofsted reported weaknesses in all three of these areas that require decisive attention now that the infrastructure is secure. The following areas need to improve:

- the quality of assessments so that these include an analysis of all presenting risks and what these mean for a child
- the focus of children in need and child protection plans so that they link directly to and address the risks identified in assessments
- the level of challenge and scrutiny that managers give to social workers
- the accuracy of performance management data and the consistency of quality assurance audits.

Ofsted will take the findings from this focussed visit into account when planning their next inspection or visit.

### Conclusion

We have concluded that the issues raised by Ofsted and the Care Quality Commission do not warrant a qualification of our VFM conclusion. Nevertheless, the issues raised during the reviews are important and we have made recommendations in that respect. See Appendix A.

# Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D.

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council and the following non-audit service was identified. We set out the threat to our independence and safeguard that has been applied to mitigate this threat.

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Teachers Pensions return.	£4,200	Self review Management	Work undertaken after completion of the audit and there are not expected to be material changes arising to subsequent financial statements. Any changes that need to be made to recorded contributions are determined by officers based on our work; they also agree the factual accuracy of any findings we make to Teachers Pensions.
<b>Non-audit related</b>			
None			




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 Committee.




None of the services provided are subject to contingent fees.

# Action plan

We have identified five 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 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.



Assessment	Issue and risk	Recommendations
1  Green	<b>Disclosure of estimates in the financial statements</b> The disclosures do not contain all of the estimates within the financial statements e.g. the valuation of land and buildings.	The Council should review its disclosure relating to estimates in 2019/20 to ensure that they are complete. <b>Management response</b> The disclosure related to estimation uncertainty, Note 5, has been amended to include the valuation of land and buildings. The Council has removed reference to provisions and debtors, on the grounds that it does not consider these estimates to be material. The Authority will review the contents of the note for 2019/20.
2  Green	<b>Critical judgements applied regarding accounting policies</b> In our view, the disclosures are not all critical judgements that management have applied regarding the Council's accounting policies.	The Council should review its critical judgements in 2019/20 to ensure that they are appropriate and do have a material impact on the Council's accounts. <b>Management response</b> The Authority had already reviewed and reduced the number of critical judgements (Note 4) following comments from the auditor in 2017/18. The Authority will review again disclosures regarding critical judgements for 2019/20.
3  Amber	<b>Progress against the transformation programme</b> The Council's transformation programme is still underway but has not delivered any savings to date nor is it expected to do so in 2019/20.	Monitor progress against the transformation programme to ensure it is having the desired impact on both service delivery and financial savings to the Council and its key partners. <b>Management response</b> Our transformation approach "Doing what matters" means learning what matters and responding through iterative prototyping rather than a traditional project and programme management approach. The focus of our approach to transforming the council has been focussed on two key areas: 1) Leadership learning & practice, and 2) redesigning and transforming the way we work. We agree there is a need to keep the momentum and to maintain a strong focus on demonstrating impact on outcomes for people and value for money. We also acknowledge the challenges of scaling and embedding the transformation and are seeking to create a culture that actively encourages exploration of ideas, experimentation and personal reflection at all levels.

#### Risk rating




-  High – Significant effect on control system (Red)
-  Medium – Effect on control system (Amber)
-  Low – Best practice (Green)

# Action plan

We have identified five 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 2019/20 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
4	 <b>Amber</b>	<b>Demand management</b> The Council has taken action to manage demand in adult's and children's services.	Monitor the impact of the actions to manage the demand for adult's and children's services. <b>Management response</b> Agreed – Managers in Children's Services have action plans in place to stabilise the demand in the service. Extra capacity has been approved by Cabinet to meet these plans.
5	 <b>Red</b>	<b>Ofsted and CQC Findings</b> In 2018/19 Ofsted and the CQC carried out a Joint Local Area Inspection and Ofsted undertook a two day focussed visit. Both visits identified the need for action by the Council.	Ensure that an adequate response is developed for the Joint Local Area Inspection findings Ensure that progress against the Ofsted / CQC findings are monitored. <b>Management response</b> Agreed – the local authority is working with NHS and partnership colleagues to progress with actions in our action plans and progress will be monitored and reported on a quarterly basis to the DfE and NHSE. The workstream leads also meet monthly to discuss actions and progress.

#### Risk rating

-  High – Significant effect on control system (Red)
-  Medium – Effect on control system (Amber)
-  Low – Best practice (Green)

# Follow up of prior year recommendations

We identified the following issues in the audit of Devon County Council's 2017/18 financial statements, which resulted in two recommendations being reported in our 2017/18 Audit Findings report. Progress against these is set out below.

Issue and risk previously communicated	Update on actions taken to address the issue
<p><b>1 Critical judgements applied regarding accounting policies</b></p> <p>The Council should review its critical judgements in 2018/19 to ensure that they are appropriate and do not have a material impact on the Council's accounts.</p>	<p>The Council has reviewed the critical judgements that have been included within its financial statements and has removed some items that were included in the previous year.</p> <p>In our view, those that remain are not all critical judgements that management have applied regarding the Council's accounting policies and we have recommended that this is further reviewed in 2019/20.</p>
<p><b>2 Progress against the transformation programme</b></p> <p>Monitor progress against the transformation programme to ensure it is having the desired impact on both service delivery and financial savings to the Council and its key partners.</p>	<p>As noted on page 16, the Council's transformation programme is still underway but has not delivered any savings to date nor is it expected to do so in 2019/20. It is essential that the transformation programme is kept under review to ensure that its original aims are achieved from both a service delivery and financial perspective.</p>

# 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 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1 No adjustments have been made to the Council's primary financial statements.	0	0	0
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

## 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.

Area	Detail	Adjusted?
<b>Financial Instruments Disclosures</b>	The introduction of IFRS9 led to a revision to the disclosures required for financial instruments in the year. A number of amendments to the disclosures were made, including to the valuation hierarchy.	✓
<b>Contingent liabilities</b>	During discussions, the Council decided to remove one contingent liability previously included within its financial statements.	✓



# Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p><b>1 CCLA Investment</b></p> <p>The Council has an investment of £10m in a Pooled Property Fund for Local Authorities managed by an independent Fund Manager, CCLA. The Council has treated this as an equity investment whereas our view is that this is not an equity investment as participating Local Authorities have the right to get their investment back from the Fund Manager. The difference in treatment impacts on the way unrealised losses need to be accounted for.</p>	<p>There is no impact on the Comprehensive Income and Expenditure Statement or the Statement of Financial Position as there is a mandatory statutory override requiring local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to be effective from financial year commencing 1 April 2018 for five years.</p> <p>There is only an effect on the disclosures within the Council's financial instruments.</p>			The investment is not material.
<b>Overall impact</b>	£0	£0	£0	

## Impact of prior year unadjusted misstatements

No adjustments were identified during the 2017/18 audit which were not made within the final set of financial statements.

There are no unadjusted errors from previous years.

# Unadjusted items

## Detail

### Potential impact of the McCloud judgement

The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented.

Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.

The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £15,321k, and an increase in service costs for the 2019/20 year of £1,493k.

We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.

## Reason for not adjusting

The figures provided by the actuary are an estimate, and not a formal actuarial valuation. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we are satisfied that the differences are not likely to be material. This issue will be considered as part of the next actuarial valuation exercise in 2019/20.

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services in 2018/19.

<b>Audit Fees</b>	<b>Fee per audit plan</b>	<b>Expected Fee</b>	<b>Per Accounts (note 32)</b>	<b>Commentary</b>
<b>Council Audit</b>	81,066	81,066	81,066	This scale fee was set by Public Sector Audit Appointments Ltd.
Pensions – IAS 19		3,000		The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.
PPE Valuation – work of experts		3,000		As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this.
Assessing the impact of the McCloud ruling		3,000		The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have been considering the impact on the financial statements along with any audit reporting requirements.
<b>Total</b>	81,066	90,066	81,066	The County Council audit fee in 2017/18 was £105,281.
<b>2018/19 Grant Certification</b>				
Teachers Pensions return	4,200	TBC	4,200	This work will be completed later in 2019 and we will provide an update to a future meeting of the Audit Committee.
<b>Objection Costs</b>				
Fee for 2017/18 objection	TBC	TBC	10,000	The Council included an estimate of £10,000 for this work in its 2018/19 financial statements.
Balance of fee for 2016/17 objection	7,993	7,993	1,993	The Council included an estimate of £6,000 for this work in its 2017/18 financial statements and the balance of £1,993 in the current year.
<b>Total audit fees (ex VAT)</b>	<b>£TBC</b>	<b>£TBC</b>	<b>£97,259</b>	

## Non Audit Fees

No non-audit related services have been undertaken for the Council.

# Audit opinion

We anticipate we will provide the Council with an unmodified audit report

## Independent auditor's report to the members of Devon County Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Devon County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the County Treasurer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the County Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The County Treasurer is responsible for the other information. The other information comprises the information included in the Statement of Accounts and Annual Governance Statement, other than the financial statements our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# Audit opinion

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the County Treasurer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 24, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the County Treasurer. The County Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the County Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Audit opinion

In preparing the financial statements, the County Treasurer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Audit opinion

## Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts and Annual Governance Statement. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Jon Roberts, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date]



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