

The Audit Findings (ISA260) Report for Devon County Council

Year ended 31 March 2021

16 November 2021



Contents



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

Name : Julie Masci
For Grant Thornton UK LLP
Date : 16 November 2021

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

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1. Headlines

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

Financial Statements

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

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

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), 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.

Our audit work has been undertaken remotely during August to November. Our findings to date are summarised on pages 6 to 19.

At the time of writing, there remains a significant amount of information outstanding from the Council in response to our audit evidence requests, meaning that our audit is not as far advanced as it should be at this stage of our reporting. The main outstanding items are summarised on page 5.

We have invested in a new software package (Inflo) which provides the Council and our audit team full transparency over the status of our requests. In addition, in response to feedback from the Council at the conclusion of the prior year's audit, we introduced weekly monitoring meetings with key finance officers to provide dashboard updates on all areas of our audit work and report progress of receipt of audit evidence from Council officers. This has not had the required impact to improve timeliness of receipt of audit evidence from service areas across the Council. For example, some items requested from the Council have taken almost two months to provide. Furthermore, the quality of some evidence provided by service areas has not adequately addressed the information requirements specified by the assigned auditor. This lack of co-operation by service areas, coupled with the absence of a designated audit coordinator in the central finance team has made audit processes more labour intensive and inefficient. We therefore recommend that the Council identifies a named officer to coordinate the audit from the Council's perspective and to work directly with service areas to improve responsiveness. This role should also include a quality assurance element, ensuring that the evidence provided is appropriate. We have included this as a high priority recommendation in the Action Plan at Appendix A.

To date, we have not identified any adjustments to the financial statements that have resulted in an adjustment to the outturn reported in the Council's Comprehensive Income and Expenditure Statement. We have identified some other adjustments affecting notes to the accounts and supporting disclosures. Audit adjustments confirmed to date are detailed at 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.

We will issue an updated Audit Findings Report on completion of our work.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report.

As stated in the Audit Committee Update in September 2021, we expect to issue our Auditor's Annual Report by February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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

- The Council's response to Ofsted's inspection of Children's Social Care Services which took place in January 2020.
- The plans the Council has to reduce the overspends against its Dedicated Schools Grant and to recover the cumulative deficit.

Our work on these risks is underway. However, we are not aware of any issues that would impact on our financial statements audit.

Statutory duties

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

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

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in February 2022. Our audit opinion will also refer to the outstanding Whole of Government Accounts (WGA) work, see page 19, although we expect this to be completed ahead of our VFM work.

Significant Matters

As noted on page 3, our audit is not as well progressed as we would have hoped. We have made a recommendation regarding an audit co-ordinator at the Council. Please see Appendix A.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

We have not had to alter our audit plan, as communicated to you in June 2021.

Conclusion

At the time of writing, there were a large number of areas in which we were waiting for the Council to provide the requested information. Some information requests have taken almost two months to respond to and a number were dealt with inappropriately in the first instance and needed to be rejected by the audit team.

The main areas where there are currently outstanding items for the Council to provide include:

- Fees, charges and other service income;
- Debtors, including income cut-off;
- Grant income;
- Creditors including expenditure cut-off; and
- Operating expenditure.

There is also further audit work on a number of areas including PPE disposals and useful economic lives, the Pension Fund liability, provisions and our review of the disclosures within the financial statements as a result of the 'Hot Review' undertaken by our financial reporting technical team.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan to the Audit Committee on 30 June 2021.

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

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£17.2m	This was set at 1.5% of your forecast gross expenditure for the prior year. Materiality levels remain the same as reported in our audit plan.
Performance materiality	£12.9m	This is 75% of the headline materiality.
Trivial matters	£860k	This is 5% of the headline materiality.



2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for Devon County Council which was one of the most significant assessed risks of material misstatement.

We have identified a significant control weakness regarding the processes in place for all journals above £200k.

The Council has an authorisation process in place for all journals above the £200k threshold, whereby they are approved in advance by e-mail by a more senior member of the finance team. Such journals are then posted onto the ledger using a separate '200' journal ID.

However, there are a number major weaknesses in this process:

1. There is no check that the journal that was approved was processed as intended, which introduces a risk of fraudulent misreporting or error.
2. There is no control to ensure that all journals above £200k are actually approved. This provides the opportunity for the approval process to be bypassed. The journals are also approved by e-mail, rather than within the Council's finance system.
3. There is no control over the access to the '200' journal IDs which means that any member of the finance team can post journals on these codes. There is no clear audit trail as to who the poster of these journals is, which again introduces a risk of fraud.

We will write to the Council seeking clarification over the arrangements in place and will request further assurances over the operation of these journal controls.

Upon receipt of this response from management, we will determine our approach to journals testing.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition – rebutted

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

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Devon County Council, we determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of 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 have reconsidered our original assessment as part of our audit work on the Council's financial statements and are satisfied that this rebuttal remains appropriate.

The expenditure cycle includes fraudulent transactions – rebutted

Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:

"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

We rebutted this presumed risk for Devon County Council because:

- expenditure is well controlled and the Council has a strong control environment;
- there is no incentive for management to mis-represent expenditure; and
- the Council has clear and transparent reporting of its financial plans and financial position to those charged with governance.

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

We have reconsidered our original assessment as part of our audit work on the Council's financial statements and are satisfied that this rebuttal remains appropriate.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£742m at 31 March 2021) and the sensitivity of the estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2021 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuation was carried out;
- engaged our own valuation expert, Wilks, Head and Eve, to provide commentary on:
 - the instruction process in comparison to requirements from CIPFA/IFRS/RICS; and
 - the valuation methodology and approach, resulting assumptions adopted and any other relevant points.

We are working through the detailed information provided by the Council's valuer and are in the process of:

- challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- testing revaluations made during the year to see if they have been input correctly to the Council's asset register; and
- evaluating 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.

The Council's valuer has included a material uncertainty due to Covid across all of the Council's land and buildings. Following input from our valuation expert we have challenged whether this remains appropriate based on the latest RICs guidance.

Our auditors' expert reviewed the instructions to the valuer issued by the Council. RICS guidance recommends that the valuer supplements this with a formal 'terms of engagement' document and we have recommended that the Council obtains one for 2021/22 and beyond.

Valuation of pension fund net liability

The pension fund net liability represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,050m) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have :

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- 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. We are awaiting a response from the Council regarding the unfunded members' data.

We are also reviewing the accounting transactions surrounding the advance payment of 3 years secondary pensions contributions.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £742m	<p>Other land and buildings comprises 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 which are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council engages an external valuer to complete the valuation of properties on a five yearly cycle, although in practice the key assets are revalued more frequently than the maximum permissible cycle of five years. Valuations are as at 31 December 2020 rather than at the balance sheet date of 31 March 2021</p> <p>In 2020/21, £742m of assets were revalued which is approximately 85% of the total gross book value of the Council's land and buildings.</p> <p>The Council's valuers disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2021 as a result of Covid-19 and the Council has included disclosures on this issue in its financial statements.</p> <p>Based on input from our auditor's expert, we have challenged the valuer as to whether this is in line with the RICS guidance that was extant at the date the valuations were undertaken.</p> <p>The Council included a similar disclosure in its 2019/20 financial statements and we referred to this in our audit opinion as an 'emphasis of matter'. We will consider any implications for our 2020/21 opinion once we have had a response from the Council's valuer and discussed this with management.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> assessed management's expert to ensure they are suitably qualified and independent; assessed the consistency of the estimate against near neighbours and using the Gerald Eve report; and assessed the adequacy of disclosure of the estimate in the financial statements; and engaged an auditor expert to further challenge underlying assumptions and terms of engagement with the valuer. <p>As noted on page 9, our work in this area is still in progress.</p> <p>As the valuation date for the majority of the assets is 31 December 2020, our testing needs to assess whether or not these valuations remain materially correct at the Council's year end of 31 March 2021.</p> <p>We have recommended that the Council asks its valuer to provide valuations as at the Council's year end.</p>	TBC

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £1,263m	<p>The Council's net pension liability at 31 March 2021 is £1,263m (PY £1,050m) comprising the Devon Pension Fund benefit pension scheme obligations.</p> <p>The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £196m net actuarial gain during 2019/20.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> assessed management's expert, Barnett Waddingham, to be competent, capable and objective; performed additional tests in relation to the actuary on contribution figures, benefits paid and investment returns to gain assurance over the 2020/21 roll forward calculation carried out by the actuary and have no issues to note; gained assurance over the reasonableness of the Council's share of LGPS pension assets; reviewed the adequacy of disclosure of the estimate in the draft financial statements; assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; sought and obtained assurances from the auditor 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; and assessed the adequacy of disclosure of estimate in the financial statements. <p>We are awaiting information from the Council regarding the unfunded members' data.</p>	Light purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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Assessment

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- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £14.2m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £14.2m, which is consistent with the charge of £14.4m for 2019/20.</p>	<ul style="list-style-type: none"> There have been no changes to the Council's policy on MRP in the year. We undertook a benchmarking exercise to assess the reasonableness of the MRP charge in the year. Our work showed that the Council's MRP appeared prudent as a proportion of the Capital Financing Requirement. <p>Our work in this area is still in progress.</p>	TBC
Covid grant income - £78m	<p>The Council received a significant amount of additional funding in the year as a result of the Covid pandemic.</p> <p>Some of this funding was to help support the Council's own financial position whereas other funding was for specific initiatives within the community.</p> <p>For each grant management have:</p> <ul style="list-style-type: none"> Assessed whether the Council is acting as a agent or a principal Determined the income that should be recognised in the year. 	<p>On a grant by grant basis we have:</p> <ul style="list-style-type: none"> Reviewed the nature of the funding and the role played by the Council to determine whether the Council is acting as a agent or a principal Considered whether any conditions associated with the grant funding have been complied with in order to assess the reasonableness of the income recognised in 2020/21. <p>We were satisfied with management's approach and there are no issues we wish to report to the Audit Committee.</p>	Light purple

Assessment

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

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
TBC	<p>As reported on page 7, we have identified a significant control weakness regarding the processes in place for all journals above £200k.</p> <p>We will write to the Council seeking clarification over the arrangements in place and will request further assurances over the operation of these journal controls.</p> <p>Upon receipt of this response from management, we will determine our approach to journals testing.</p>	<p>The Council should introduce enhanced controls over the authorisation of its journals to ensure there is adequate Segregation of Duties and appropriate IT access controls.</p> <p>Management response</p> <p>We will consider the matters raised by the auditors and will consider the response to any recommendations when the arrangements in place have been clarified.</p>

Assessment

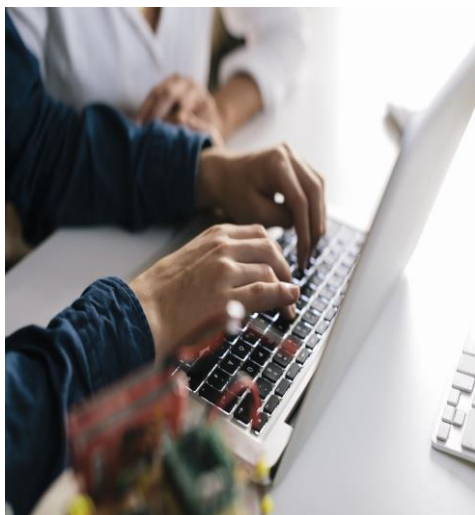
- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

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

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

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. All confirmations were received with no issues noted.</p> <p>We requested from management permission to send confirmation requests to the pension fund auditor. This permission was granted and the requests were sent. We have received the pension fund auditors letter of assurance and no issues were noted that impacted on our pension liability work.</p>
Accounting practices	<p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, however, a number of minor amendments were made to ensure compliance with the code and aid transparency. These are set out in Appendix C.</p>
Audit evidence and explanations/ significant difficulties	<p>As noted on page 3, at the time of writing, there was a significant amount of information outstanding from the Council, meaning that our audit is not as far advanced as it should be. Some items requested from the Council took almost two months to provide.</p> <p>The impact of the pandemic has meant that both your finance team and our audit team faced challenges again this year, such as remote access working arrangements, remotely observing access to financial systems, video calling, verifying the completeness and accuracy of information provided remotely produced by the Council.</p> <p>This resulted in us having to carry out additional audit procedures to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.</p>

2. Financial Statements - other communication requirements



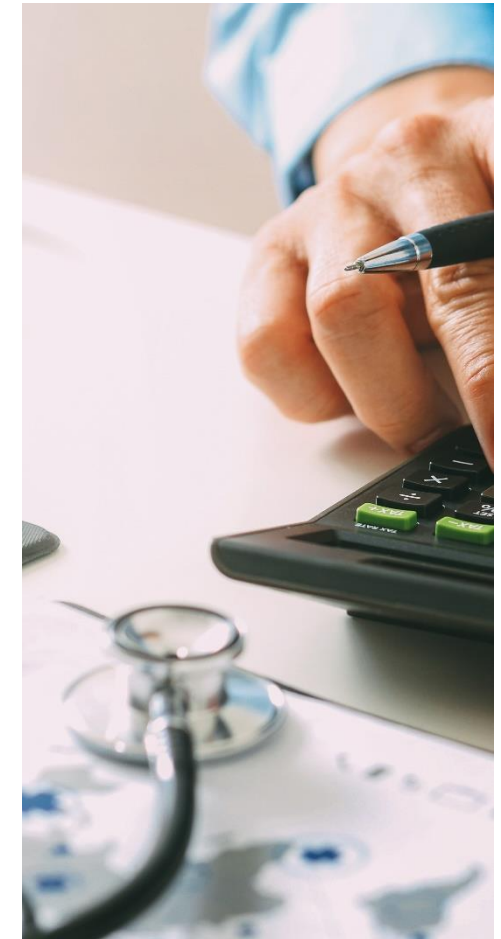
Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement, 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>We have raised a query with management regarding the consistency of the format of the outturn reported in the narrative report with that in the Expenditure and Funding Analysis. At the time of writing we had not received a response to this query.</p> <p>The Annual Governance Statement needs to reflect any events up to the date of our audit opinion and so this review will be conducted at the closure stage of the audit. There are no matters to report based on the work completed to date.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported any significant weaknesses. <p>Based on the work completed to date, we have nothing to report on these matters.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £500m, we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>The 2020-21 WGA Data Collection Tool is not currently available and the group audit instructions setting out the work we are required to undertake have yet to be issued.</p> <p>HM Treasury have confirmed that WGA submissions will open no earlier than December 2021 and that the Group Audit Instructions and timetable will follow.</p> <p>This work is therefore not yet complete and will be completed when the NAO have issued updated guidance.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of Devon County Council in our audit report due to incomplete WGA and VFM work.</p>

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

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

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

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

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



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

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



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below and included these in audit plan.

Our work on these risks is underway and an update is set out below. We will include our findings in our Auditor's Annual Report.

Risk of significant weakness	Work performed to date
<p>Ofsted's inspection of Children's Social Care Services</p> <p>In January 2020, an Ofsted inspection of Children's Social Care Services was undertaken. This identified that there are serious failings in the services provided to children and the Council developed a Statement of Action in response to the issues raised.</p> <p>We will review the progress the Council has made against these actions and will also be cognisant of any future inspections or follow-up visits / reports from Ofsted.</p>	<p>We have reviewed the findings of a focused visit by Ofsted to Devon children's services on 26 and 27 May 2021.</p> <p>Although this noted that some positive actions had been taken, there remains much to do. Ofsted noted that <i>'In reality, the local authority is still at the start of its improvement journey.'</i></p>
<p>Financial pressures within Special Educational Needs and Disabilities (SEND)</p> <p>Financial pressures within this area mean that the Council is forecasting to have an overspend of £50m relating to its Dedicated Schools Grant by the end of 2020/21. This will increase to £78m once the projected deficit of £28m for 2021/22 is taken into account</p> <p>We will review the plans the County Council has to reduce the annual expenditure in this area and, ultimately, to recover the cumulative overspend.</p>	<p>We have reviewed the Council's budget monitoring reports.</p> <p>We note that the service has developed a management plan which seeks to ensure children with SEN receive the support they need, whilst also addressing the deficit. Successful delivery of the plan should mean that the DSG balances the in-year position during 2023/24, with the accumulated deficit starting to be reduced the following year.</p> <p>Several discussions have taken place with representatives from the Department for Education this financial year, and it has been acknowledged that the plan and timescales involved are very ambitious.</p> <p>The reports state that for 2021/22 the management plan contains a savings target of £6.2 millions. The forecast at month 4 is that £5.5 millions will be delivered. £709,000 remains deliverable but has been delayed to next financial year. This has been impacted by the pandemic and has caused delays to projects recruiting staff and in building capacity during the early months of 2021/22.</p>

4. Independence and ethics

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

A former employee of Grant Thornton, Joanne McCormick, was appointed as an Internal Audit Senior Audit Manager at the Devon Audit Partnership (DAP) in 2021 with a responsibility for overseeing DAP's work at Devon County Council.

We consulted with our ethics colleagues regarding this who advised us that there were no independence issues for this audit. Key factors influencing this decision were:

- Joanne was not a covered person for Devon County Council and had no line manager responsibilities for any of the audit team;
- Joanne is not in a senior management role at Devon County Council; and
- Joanne's work is reviewed and approved by someone more senior within DAP.

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

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

Details of fees charged are detailed in Appendix D

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	£5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £126,916 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the certification work is undertaken after the audit fieldwork has been completed. We are also mindful of materiality of the amounts involved to our opinion and unlikelihood of material errors arising. The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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.

Appendices

A. Action plan – Audit of Financial Statements

Based on the work completed to date, we have identified the following 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 2021/22 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
High	As noted earlier, our audit is not as far progressed as we had hoped and there is still a significant amount of evidence that management have not provided to us.	<p>The Council should identify a named officer to coordinate the audit from the Council's perspective. This role should also include a quality assurance element, ensuring that the evidence provided is appropriate.</p> <p>Management response</p> <p>The Council is considering how to best respond to this recommendation, but notes that additional resources may be required.</p>
High	The valuation date for land and buildings is 31 December each year rather than as at the Council's year end.	<p>The Council should ask its valuer to provide valuations as at 31 March each year.</p> <p>Management response</p> <p>The Council moved the valuation date from 31 March to 31 December when the earlier closedown timetable requiring draft accounts by 31 May was introduced. A valuation date of 31 March would not be possible in a 'normal year' and the Council notes that the amendments to the Accounts and Audit Regulations, which permit a later preparation date, is only for one further year.</p> <p>If the financial reporting timetable is permanently changed then Council will review this date.</p>
Low	Our auditors' expert reviewed the instructions to the valuer issued by the Council. RICS guidance recommends that the valuer supplements this with a formal 'terms of engagement' document.	<p>The Council should request a formal 'terms of engagement' document from its valuer in order to ensure that RICS guidance is complied with.</p> <p>Management response</p> <p>The Council will liaise with the valuer regarding this.</p>

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2019/20 financial statements, which resulted in six recommendations being reported in our 2019/20 Audit Findings report.

We have followed up on the implementation of our recommendations and a summary is attached below. Four of the recommendations will be followed up in more detail as part of our Value for Money assessment and will be reported in our Auditor's Annual Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>We encountered difficulties with agreeing the Council's financial statements to its general ledger in 2019/20.</p> <p>We recommended that the Council should ensure that the evidence to agree the financial statements to the ledger is available at the start of the audit.</p>	<p>This exercise was much more straightforward than in 2019/20.</p> <p>However, due to the way in which the County Council nets off internal recharges, there was a trivial difference between the ledger and the financial statements.</p>
✓	<p>Internal Audit noted a number of issues in their initial review of the payroll system in 2019/20. We were satisfied that these would not have a material impact on the Council's financial statements but recommended that the Council should ensure that Internal Audit's recommendations regarding the new payroll system have been implemented.</p>	<p>Internal Audit's Annual Report for 2020/21, presented to the Audit Committee in June 2021, included an assessment of 'reasonable assurance for payroll and the direction of travel was assessed as positive.</p> <p>Internal Audit stated that the payroll system has continued to be successful in making payments to individuals and whilst there are issues to be addressed as would be expected with a new system, these are known and being managed alongside the introduction of further functionality.</p>
TBC	<p>The Dedicated Schools Grant (DSG) was in deficit at the year end (£19.8m) and this position was noted to be worsening in 2020/21.</p> <p>We recommended that the Council should urgently develop a recovery plan for the DSG and agree this with the schools' forum and the Department for Education.</p>	<p>This was identified as a risk of significant weakness in our audit plan for 2020/21.</p> <p>We will follow-up this recommendation as part of our Value for Money work and will report our findings to the Audit Committee in our Auditor's Annual Report.</p> <p>Please also see page 21 of this report.</p>

Assessment

✓ Action completed

X Not yet addressed

TBC To be confirmed during our Value for Money assessment

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
TBC	<p>The Ofsted inspection in January 2020 identified that Children's Social Care Services were inadequate overall.</p> <p>We recommended that the Council's action plan to address the issues identified by Ofsted should be reported to Members.</p>	<p>This was identified as a risk of significant weakness in our audit plan for 2020/21.</p> <p>We will follow-up this recommendation as part of our Value for Money work and will report our findings to the Audit Committee in our Auditor's Annual Report.</p> <p>Please also see page 21 of this report.</p>
TBC	<p>In our 2020/21 Audit Findings Report we stated that the Council faced a significant financial challenge in 2021/22 as savings for that year had yet to be fully identified.</p> <p>This position was compounded by the impact that Covid-19 has had on the achievement of savings planned for 2020/21 and the fact that management focus had been diverted to deal with the impacts of the pandemic on service delivery.</p> <p>We recommended that the Council should focus on the identification its 2021/22 savings plans to ensure that these can be actioned promptly in 2021.</p>	<p>We will follow-up this recommendation as part of our Value for Money work and will report our findings to the Audit Committee in our Auditor's Annual Report.</p>
TBC	<p>We reported that the purpose of the transformation programme was not universally understood across the Council and noted that it was not contributing to planned savings within the medium term financial strategy (MTFS) and had yet to deliver quantifiable savings.</p> <p>We recommended that the purpose of the transformation programme should be reaffirmed and an agreed plan developed for 2021/22 onwards. In order to ensure service improvements and cost avoidance schemes are translated into cashable savings, we recommended that the plan should include agreed areas of focus and savings targets which can be incorporated into the MTFS.</p>	<p>We will follow-up this recommendation as part of our Value for Money work and will report our findings to the Audit Committee in our Auditor's Annual Report.</p>

Assessment

✓ Action completed

X Not yet addressed

TBC To be confirmed during our Value for Money assessment

C. Audit Adjustments

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

Impact of adjusted misstatements

To date, we have not identified any adjustments impacting on the Council's primary financial statements (i.e. comprehensive income and expenditure statement and balance sheet). The only amendments made relate to disclosures set out below.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified to date. A small number of issues were identified from our disclosure checklist review, but these are not considered to be of such significance to require separate reporting.

Disclosure	Comments	Adjusted?
Note 14 - Expenditure and Income Analysed by Nature	£15m received from Devon CCG was treated as fees and charges. Our view is that this was a grant rather a payment in respect of a specific service.	✓
Note 18 – financial instruments	The Council is required to disclose the hierarchy (i.e. level 1, 2 or 3) of all financial instruments valued at fair value. The draft financial statements included all financial instruments rather than just those valued at fair value.	✓
Cash flow Statement – notes 25 and 26	The prepayment of the pension deficit (£21.6m) had been included within the movement in creditors line of Note 25. Management agreed to move this balance into the movement in pension liability line of Note 25. The audit team also noted some minor incorrect headings within Note 26 which have also been amended by management.	✓
Note 30 – audit fees	We asked management to include a sentence explaining that, since closedown, the audit plan for 2020/21 had been agreed by the Council's Audit Committee and that, subject to PSAA approval, there was an increase in audit fees. This was requested in order to ensure there was transparency over the audit fees disclosed in the financial statements.	✓

C. Audit Adjustments



Impact of unadjusted misstatements

At the time of writing, there were no unadjusted misstatements impacting on the Council's primary financial statements (i.e. comprehensive income and expenditure statement and balance sheet).

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>CCLA Investment The Council had an investment of £10m at 31 March 2019 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>				The investment was not material.
				There is only an effect on the disclosures within the Council's financial instruments.
Overall impact	None.	None.	None.	

D. Fees

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

Audit fees	Proposed fee (per plan)	Final fee
Council Audit – scale fee published by PSAA	81,066	TBC
Ongoing increases first identified in 2019/20	15,350	TBC
New increases for 2020/21	30,500	TBC
Total audit fees (excluding VAT)	£126,916	£TBC

Non-audit fees for other services	Proposed fee (per plan)	Final fee
Teachers' Pensions certification	5,000	TBC
Total non-audit fees (excluding VAT)	£5,000	TBC

The final fee proposals will be assessed on completion of our work. All fee variations are subject to approval from Public Sector Audit Appointments Ltd (PSAA).

On the following page we set out how the fees above agree to those disclosed in Note 30 of the Council's financial statements for the year ended 31 March 2021.

D. Fees

Below we set out how the fees on the previous agree to those disclosed in Note 30 of the Council's financial statements.

Audit fees	£
Council Audit – scale fee per PSAA	81,066
Add:	
Ongoing increases first identified in 2019/20 (see previous slide and Annual Audit Letter for 2019/20)	15,350
One-off increase in 2019/20 (see Annual Audit Letter for 2019/20)	2,500
Additional Covid-related fees for 2019/20 (see Annual Audit Letter for 2019/20)	14,834
Total audit fees per Note 30	£113,750

Non-audit fees for other services	£
Teachers' Pensions certification for 2019/20 (see Annual Audit Letter for 2019/20)	4,200
Total 'other services' per Note 30	£4,200

E. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

[Date] – (TO BE DATED SAME DATE AS DATE OF AUDIT OPINION)

Dear Sirs

Devon County Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Devon County Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

E. Management Letter of Representation

- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include [...]. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

F. Management Letter of Representation

Information Provided

- xiii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.
- xiv. We have communicated to you all deficiencies in internal control of which management is aware.
- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xviii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xix. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xx. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- xxii. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

E. Management Letter of Representation

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 23 November 2021.

Yours faithfully

Name.....

Position.....

