The Audit Findings for Devon County Council

Year ended 31 March 2022

Devon County Council

February 2023

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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 will be discussed with management and the Audit Committee.

Julie Masci

Name : Julie Masci
For Grant Thornton UK LLP
Date : 16 February 2023

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.

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 2022 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 was completed remotely during August to November 2022. Our findings are summarised on pages 5 to 22. We have identified no adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. Other 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.

We have completed of our audit of the Council's financial statements with exception of the following:

- receipt of management representation letter;
- Assessment of post balance sheet events to the date of the opinion; and
- review of the final set of financial statements.

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

Our anticipated audit report opinion will be unmodified.

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. An audit letter explaining the reasons for the delay was submitted to the Audit Committee. We expect to issue our Auditor's Annual Report by 31 May 2023. 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 three risks as follows:

- The Council's response to Ofsted's inspection of Children's Social Care Services which took place in January 2020. We will review the reports from Ofsted following monitoring visits in February and June 2022. The risk relates to weaknesses identified in the service provision in childrens services.
- Financial pressures within Special Educational Needs and Disabilities (SEND). Financial pressures within this area mean that the Council has reported an overspend of £37.7m relating to its Dedicated Schools Grant as at the end of 2021/22. The cumulative deficit stood at £86.5m as at 31 March 2022. There is a risk to the financial sustainability of the Council, from this growing pressure. In addition, there is a service delivery risk identified following an Ofsted SEND visit in June 2022. The Council continues to participate in discussions with the Department For Education (DFE) as part of the Safety Valve Intervention programme, these discussions have not yet resulted in a positive outcome with additional support being provided.
- Financial pressures in delivering the 2022/23 budget. In common with many other authorities, the current high inflation environment and cost of living crisis is placing significant strain on the Council's ability to deliver its planned 2022/23 outturn. In July 2022, the Council reported a projected overspend of £30 million against its budget with the potential for a further overspend of £10 million due to ongoing inflationary pressures. This had reduced to £7 million, reported in January 2023. This is made up of an underlying overspend of £33 million that is being reduced by £26 million of savings and income through the Financial Sustainability Programme. The Council is also supporting its budget by the use of reserves.

Our work is underway. Our opinion will be modified to reflect that significant weaknesses were identified in 2020/21. At the time of writing we have not yet concluded our value for money work in the current year and are unable to confirm whether these weaknesses have been addressed.

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 April 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. The audit progressed smoothly with good co operation from the Council's finance team. There are a small number of areas where we will work with officers to improve the efficiency of our audit. These relate to obtaining bank evidence to support transaction testing, obtaining initial data for the trial balance, due to personnel changes within the Council and receipt of evidence from a small number of service areas.

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 and are being presented to the Audit Committee.

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 on 27 September 2022.

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 Audit Committee meeting on 28 February 2023, as detailed in Appendix E. These outstanding items include:

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

Acknowledgements

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

As highlighted on page 18 of our audit plan presented to the Audit Committee on 27 September 2022, during the course of the audit both your finance team and our audit team faced audit challenges again this year, partly as a result of remote access working arrangements i.e., remote accessing financial systems, video calling, verifying the completeness and accuracy of information provided remotely produced by the entity and access to key data from Council staff.

This together with the increased level of scrutiny required in response to regulatory requirements resulted in us having to carry out additional audit procedures, as summarised on page 37 to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

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 on 27 September 2022. We detail in the table below our determination of materiality for Devon County Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	17,900,000	This was set at 1.4% of the Council's prior year gross expenditure. Materiality levels remain unchanged from those reported in the Audit Plan.
Performance materiality	12,530,000	This is 70% of headline materiality.
Trivial matters	895,000	This is 5% of 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 over-ride of controls is present in all entities.	In response to this risk, we have: - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. In 2020/21, we reported that we had identified a significant control weakness regarding the processes in place for some journals with a value above £200k. Direct input journals in to the system that are in excess of this threshold require authorisation from a head accountant before the transaction can be processed. This is an automated feature of the system. This authorisation is required for each screen of 10 lines of transactions. For journals where there are multiple lines of data, the Council has implemented alternative controls. Instead of the head accountant approving each journal on the system (which could be many pages), advance approval by email of the journal is required. Such journals are then posted on to the ledger using a separate '200' journal ID and a separate report of these journals is provided to the relevant head accountant. As we previously reported, in our view there are a number of major weaknesses in this process: 1. There is no documented check that the journal that was approved was processed as intended, which introduces a risk of fraudulent misreporting or error. 2. There is no documented control to ensure that all journals above £200k are actually approved prior to being processed. This provides the opportunity for the approval process to be bypassed. The journals are also approved by email, rather than as a function of 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 the risk of fraud. As a result, we have assigned a higher risk to these journals and undertaken additional testing focussed on journals posted from these IDs. The Council has instigated additional assurance processes in this area, including a quarterly check of journals posted from the '200 ID's' . The report is run by the Head Accountant, Finance Strategy Group for review by service line head accountants, incorporating evidence of review. This is a manual control, rather than automated which continues to represent a risk. Our testing of journals did not identify any matters. We have however reported the process to support the authorisation of the '200' journals as a control issue on page 17. Our work in respect of accounting estimates and key judgements is set out on pages 13 to 16.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue recognition 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 have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; 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 do not consider this to be a significant risk for Devon County Council.	No changes to our assessment reported in the audit plan were made during the course of our audit.

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 current value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved 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 2022 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 the assumptions used by the valuer in calculating the revaluations, 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.
	• evaluated the reasonableness of the key assumptions made by the valuer in determining the valuations.
	• 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.
	• tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
	• 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.
	Our testing identified that 20 assets under construction completed and transferred to infrastructure during the year were not assigned a useful life. This resulted in depreciation not being charged. The amount of depreciation undercharged however is trivial. This does represent a control issue and has been reported on page 17.
	We challenged the underlying assumptions used by the valuer in determining his valuations. For specialised assets, this involved agreeing floor areas to site plans, agreeing build costs to national indices, including locality factors, reviewing the obsolescence and other costs included in the valuation process. For non specialised assets we agreed valuations to rental income records and challenged yield values in relation to nationally published data.
	Our audit findings are reported in the section on estimates and judgements on page 13.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1,179m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 0.5% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have 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 evaluate 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. • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (using our auditor's expert) and performing any additional procedures suggested by our expert. • obtaining assurances from the auditor of 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. Our audit work has not identified any issues in respect of valuation of the pension fund liability.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Completeness of non-pay operating expenditure 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 have rebutted this presumed risk for Devon County Council because: • expenditure is well controlled and the Fund 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 do not consider this to be a significant risk for Devon County Council.	No changes to our assessment reported in the audit plan were made during the course of our audit.

2. Financial Statements - Other risks

Risks identified in our Audit Plan	Commentary
Valuations of Infrastructure Assets The CIPFA Code of Practice on Local Authority Accounting states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment. We identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.	The inherent risks which we identified in relation to infrastructure assets were: • an elevated risk of the overstatement of Gross Book Value and accumulated depreciation figures, due to lack of derecognition of replaced components • a normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairment of infrastructure assets and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UELs) in calculating depreciation charges. We have been working with CIPFA and the English Government to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions are being put in place in the interim. These short-term solutions include the issue of a Statutory Instrument (SI) by government. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UELs). We have completed the following work focusing on the Council's current year's infrastructure assets: - Reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets - Evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UELs - Evaluated the competence, capabilities and objectivity of any management expert relied upon - Considered whether there has been any replacement of assets that have not been fully depreciated and evaluated the subsequent derecognition of the replaced assets. Based on our work, we are satisfied that the Council has: • correctly applied the SI and the requirements in the CIPFA Code update • appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements • not identified any prior period adjustments requiring disclosure in the accounts.

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 – £758m	Other land and buildings comprises £675m 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 (£83m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Norse Property Services Ltd to complete the valuation of properties as at 31 December 2021 on a five yearly cyclical basis, in order to further ensure that the current value of these assets is not materially different from the carrying value, the Council has undertakes additional annual valuations of its higher value assets. 81% of total assets were revalued during 2021/22. The methodology for valuing assets in the local authority context is determined by the Code and the requirements of guidance produced by the Royal Institute of Chartered Surveyors. The Council also engages independent, professionally qualified valuers to undertake the valuation of its assets. The use of professional valuers and the high percentage of assets revalued reduces the risk of management bias and estimation uncertainty. However, valuations can only be an estimate and as such are subject to inherent uncertainty. The Council has disclosed the potential impact of this uncertainty in note 5 to the accounts. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 December 2021. Management has applied relevant national indices to determine whether there as 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 properties value. The total year end valuation of land and buildings was £758m, a net increase of £16m from 2020/21 (£742m).	We have carried out the following work in relation to this estimate: • assessed management's expert to ensure they are suitably qualified and independent • assessed the consistency of the estimate against national indices provided by our valuation expert. • We agreed, on a sample basis, the underlying data used by valuer to supporting evidence e.g. floor plans and rental leases • assessed the adequacy of the disclosure of the estimate in the financial statements; and • engaged an auditor expert to further challenge underlying assumptions and terms of engagements with the valuer. As the valuation date for the majority of the assets is 31 December 2021, our testing assessed whether these valuations remained materially correct at the Council's year end of 31 March 2022. We concurred with the Council's view that they were not materially misstated. Our testing did identify that the assessment undertaken by management was at a higher level than we would expect. The indices used were not tailored to the specific asset types held by the Council. However we do note that the value of the Council's asset base revalued during the year and that the majority of the asset base consists of specialised assets mitigates the risk of material misstatement. Our challenge of the assumptions used by the valuer identified that the obsolescence rates used as part of the valuation process were higher than industry standard, resulting in a lower value. Although we were satisfied with the valuers rationale, we consider these to be cautious.	

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 – £1,179m	The Council's total net pension liability at 31 March 2022 is £1,179m (PY £1,304m) comprising the Devon County Pension Fund Local Government and unfunded defined benefit pension scheme obligations. 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. The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £205m net actuarial gain during 2021/22.	We have carried out the following work in relation to this estimate: • 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 2021/22 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 Devon County Pension Fund 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; • Confirmed that unfunded liabilities had been appropriately treated; • sought and received 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.	

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
- 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	Audit Comments
Net pension liability – £1,179m	We used PwC as our auditors expert to assess the Council's actuary and the assumptions made by them as noted in the table below:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.6%	2.55% to 2.6%	●
Pension increase rate	3.2%	3.05%-3.45%	●
Salary growth	4.2%	0.5% to 2.5% p.a. above CPI inflation	●
Life expectancy – Males (Pensioners)	22.7 years	20.5 – 23.1 years	●
Life expectancy – Males (Non-pensioners)	24.0 years	21.9 – 24.4 years	●
Life expectancy – Females (Pensioners)	24 years	23.4-25.0 years	●
Life expectancy – Females (Non-pensioners)	25.4 years	24.89 - 26.4 years	●

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £13.8m	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. The year end MRP charge was £13.8m, a net decrease of £500k from 2020/21.	The Council's MRP policy was approved in February 2021 as part of the budget setting process. There have been no changes in the current year. We are satisfied that the Council has calculated MRP in line with statutory guidance. Government has consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. Government will issue a full response to the consultation in due course.	
Depreciation - £82m	Depreciation is provided for on all property, plant and equipment assets over their expected useful economic lives (UELs). These UELs are set based on the Council's expectations for that type of asset (e.g. vehicles or IT equipment).	We identified that depreciation was not charged on a small number of assets transferred from assets under construction to operational during the year. This is contrary to the Council's depreciation policy, but the impact was trivial.	

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
- 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 - Internal Control

Assessment	Issue and risk	Recommendations
●	**Authorisation of journals** As reported in the prior year and on page 7, we have identified a significant control weakness regarding the processes in place for all journals above £200k. We note that the Council has implemented additional manual controls in this area, although additional manual controls have been implemented, this remains as an area of significant risk.	We are aware that management has introduced further controls to address the weaknesses identified in our prior year audit. However, the manual nature of the control will continue to necessitate additional testing of these journals being required. We would recommend that management considers strengthening controls in this area as it designs and implements its new finance system. **Management response** The Council's financial ledger is almost 30 years old and its functionality is limited. The Council has manual controls (outside the system) for the authorisation of journals to reduce the risk of journal error. There is a requirement for Head Accountant approval by e-mail before the dataset journal above £200,000 is processed and a requirement for Head Accountants to confirm periodically from a system report of processed journals that they have approved those journals. These controls are in addition to day to day budget monitoring. The Council is implementing a new financial system from 2024/25 which should address the limitations of the current system. However, management believes that, in the meantime, manual controls are adequate to reduce the risk of significant journal error.
●	**Related Party Declarations** We identified that a number of members interests annual declarations were not returned. There is a risk of interests not being recorded and reported appropriately.	The Council should ensure that all members return their related party declarations. **Management response** The Council's Finance team sent out two reminders to members who had not responded to the original request for related party disclosures in the accounts. If declarations were still not returned then a review of the Register of Interests was undertaken for those members to ensure completeness of the disclosure.
●	**Asset lives** Our testing identified that 20 assets under construction completed and transferred to infrastructure during the year were not assigned a useful life. This resulted in depreciation not being charged. This results in depreciation being undercharged during the year.	Management should ensure that assets reclassified when brought into use are assigned a useful life to ensure that depreciation is appropriately charged. **Management response** The impact was to undercharge depreciation of just under £200,000 in 2021/22 and £45,000 in 2020/21, below the auditor's triviality threshold. In future, in order to ensure that depreciation is appropriately charged, when assets are brought into use asset lives will be assigned. Finance will run a report to check for assets with a zero life. Where they are assets with a depreciable life (e.g. not land) then an appropriate asset life will be assigned.

Assessment

● Significant deficiency – risk of significant misstatement

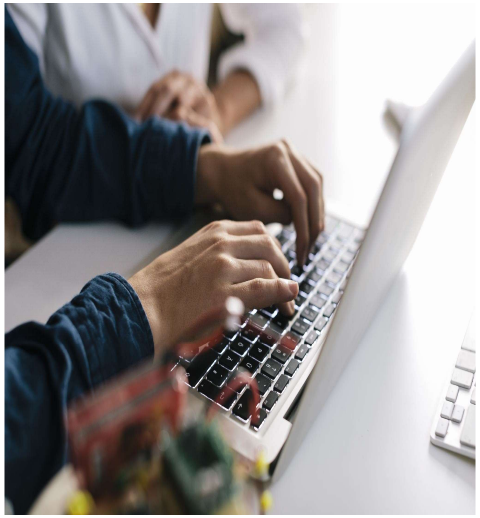
● Deficiency – risk of inconsequential misstatement

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 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 will be requested from the Council.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bankers, investment managers and loan providers. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	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.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. The Council is a large and complex organisation with a significant number of processes. We have worked closely with the Council's finance officers to streamline and support our audit process which has worked well to progress the audit effectively. One area where further work is required relates to obtaining relevant evidence to support payment and receipts through to the Council's bank account. We are continuing to work with officers to improve this process for the future.

2. Financial Statements - other communication requirements

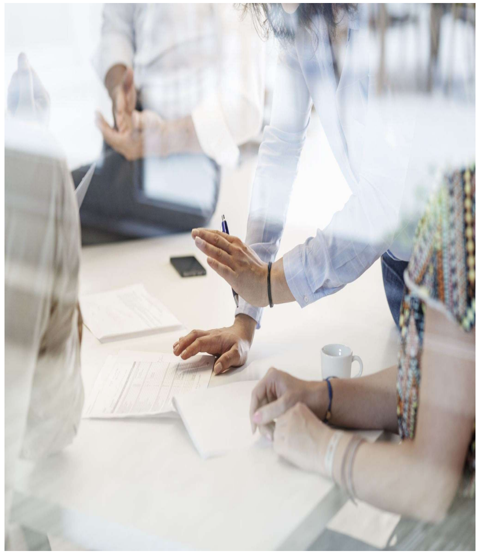
Our responsibility

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	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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. 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: • 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. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • 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	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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weaknesses. Have identified significant weaknesses in arrangements that are reported in our Auditors Annual Report..



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	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. As the Council does not exceed the £2 billion threshold, no procedures are required.
Certification of the closure of the audit	We will delay the certification the closure of the 2021/22 audit of Devon County Council until our value for money work is complete.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. 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. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by May 2023. 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. Our work on these risks is underway and an update is set out below. A more detailed review of the arrangements will be reported in our Auditor's Annual Report.

Risk of significant weakness	Work performed to date
Ofsted's inspection of Children's Social Care Services In January 2020, an Ofsted inspection of Children's Social Care Services was undertaken. The Council was rated as inadequate. The inspection 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. 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.	We reviewed correspondence from Ofsted received following monitoring visits during the year. The result of the latest Ofsted visit in June 2022 reported that the although the Council has taken steps to address the weaknesses identified, such measures are at an early stage and their impact is limited. Ofsted concluded that children in need of support and/or protection do not yet receive a significantly better service than at the point of the last inspection. The local authority has not acted quickly enough to make the changes required and the pace of change remains too slow.
Financial pressures within Special Educational Needs and Disabilities (SEND) Financial pressures within this area mean that the Council has reported an overspend of £37.7m relating to its Dedicated Schools Grant as at the end of 2021/22. The cumulative deficit now stands at £86.5m. We will review the plans the Council has to reduce the annual expenditure in this area and, ultimately, to recover the cumulative overspend.	We reviewed the Council's budget monitoring reports to month 8 reported to Cabinet in January 2023. The Council is reporting that the Dedicated Schools Grant projected deficit, relating to Special Educational Needs and Disabilities (SEND), is forecast to be £40.6 million for 2022/23. The Council is currently in discussion with the Department for Education as part of the Safety Valve Intervention and these discussions remain ongoing. It is noted that local authorities are currently able to treat the overspend as a separate reserve which does not impact on the Council's current level of reserves. This flexibility is due to end on 1 April 2023, but has been extended for a further three years.
Financial pressures in delivering the 2022/23 budget In common with many other authorities, the current high inflation environment and cost of living crisis is placing significant strain on the Council's ability to deliver its planned 2022/23 outturn. In July 2022, the Council reported a projected overspend of £30 million against its budget with the potential for a further overspend of £10 million due to ongoing inflationary pressures. The Council recognises that immediate action is necessary to balance the budget through the remainder of the year. We will review the Council's plans to address the financial pressures within the current budget and as part of medium term financial planning.	We reviewed the Council's budget monitoring reports to month 8 reported to Cabinet in January 2023. The Council is reporting that it estimates that budgets will overspend by £7 million, excluding the dedicated schools grant deficit. This is made up of an underlying overspend of £33 million that is being reduced by £26 million of Financial Sustainability Programme (FSP) proposed savings and income. The Council is also supporting its budget by the use of reserves. There is also a risk that inflationary pressures may result in increases to the forecast overspend. We note that the Council is taking urgent action to safeguard its financial sustainability and work is ongoing to identify services and projects in both revenue and capital that can be transformed, modernised, remodelled, funded differently, ceased, or postponed.

5. 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

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)

5. 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 services were identified which were charged from the beginning of the financial year to 1 February, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is small in comparison to the total fee for the audit 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 timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Non audit related			
CFO Insights Subscription	10,417	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 small in comparison to the total fee for the audit 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.

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to 1 February 2023 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

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

We have identified 3 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
	Journal authorisation As reported on page 7, we have identified a significant control weakness regarding the processes in place for all journals above £200k. We wrote to the Council seeking clarification over the arrangements in place and used this response to determine our approach to journals testing. As noted on page 5, our work in this area has not been completed.	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. Management response The Council's financial ledger is almost 30 years old and its functionality is limited. The Council has manual controls (outside the system) for the authorisation of journals to reduce the risk of journal error. There is a requirement for Head Accountant approval by e-mail before the dataset journal above £200,000 is processed and a requirement for Head Accountants to confirm periodically from a system report of processed journals that they have approved those journals. These controls are in addition to day to day budget monitoring. The Council is implementing a new financial system from 2024/25 which should address the limitations of the current system. However, management believes that, in the meantime, manual controls are adequate to reduce the risk of significant journal error.
	Related Party Disclosures We identified that not all members interests annual declarations were returned. There is a risk of interests not being recorded and reported appropriately.	The Council should ensure that all members return their interests confirmations. Management response The Council's Finance team sent out two reminders to members who had not responded to the original request for related party disclosures in the accounts. If declarations were still not returned then a review of the Register of Interests was undertaken for those members to ensure completeness of the disclosure.

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	Asset lives Our testing identified that 20 assets under construction completed and transferred to infrastructure during the year were not assigned a useful life. This resulted in depreciation not being charged. This results in depreciation being undercharged during the year.	Management should ensure that assets reclassified when brought into use are assigned a useful life to ensure that depreciation is appropriately charged. Management response The impact was to undercharge depreciation of just under £200,000 in 2021/22 and £45,000 in 2020/21, below the auditor's triviality threshold. In future, in order to ensure that depreciation is appropriately charged, when assets are brought into use asset lives will be assigned. Finance will run a report to check for assets with a zero life. Where they are assets with a depreciable life (e.g. not land) then an appropriate asset life will be assigned.

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 Devon County Council's 2020/21 financial statements, which resulted in 7 recommendations being reported in our 2020/21 Audit Findings report. We are pleased to report that management have implemented the majority of our recommendations. The outstanding recommendations relate to journal authorisation processes and the valuation date for the Council's revaluation exercise.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	The Council should identify a named officer to coordinate the audit from the Council's perspective. This role should also include a high-level quality assurance element, ensuring that the evidence provided is appropriate.	We undertook detailed planning discussion with officers, learning from prior year experiences to facilitate our audit. Overall, the audit has progressed smoothly with only a small number of areas to consider for improvement in future years.
x	The valuation date for land and buildings is 31 December each year rather than as at the Council's year end. The Council should ask its valuer to provide valuations as at 31 March each year.	The Council undertakes an extensive revaluation programme each year and undertakes an exercise to ensure that assets not revalued are not held at a carrying value that is materially different from their current value. The Council responded to our recommendation last year to advise that the earlier reporting deadline did not give sufficient time for valuations to be completed to meet a 31 May draft accounts submission timeframe. The Council advised that this would be reconsidered should the reporting deadline be permanently extended.
✓	The bank reconciliation is one the key control accounts within a Local Authority. Our testing of the year-end bank reconciliation noted that there was a reconciling item of approximately £28m. Although such uncoded income is normal, this amount was higher than normal. The Council should ensure that any reconciling figures within its bank reconciliations are cleared promptly and that they are not allowed to build up.	The Council had only a trivial level of reconciling items at year end.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	The Council's balance sheet contains a number of assets where there is a zero net book value. Review the expected useful economic lives of assets to ensure they reflect the actual position.	We are satisfied that the Council's processes is reasonable.
✓	During our payroll testing we noted there was one leaver where the usual documentation was not available, although the Council have been able to demonstrate that all the appropriate information was entered by the line manager at the correct time and that the person was appropriately removed from the payroll. Remind staff of the need to ensure that all documentation should be retained within the payroll system and support this with training if appropriate.	No instances were identified in our testing in the current year.
✓	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. The Council should request a formal 'terms of engagement' document from its valuer in order to ensure that RICS guidance is complied with.	A formal terms of engagement letter was issued by the valuer.
✓	We identified a small number of issues regarding the operation of Purchase Orders.	No similar issues were identified in the current year.

Assessment

✓ Action completed

X Not yet addressed

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

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 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Investments – reallocation of investments between categories reflecting the timing of maturity. The adjustment reallocates £15 million from long term to short term. This adjustment was identified by management shortly after the draft accounts were published.	nil	nil	nil
Overall impact	nil	nil	nil

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.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Accounting policies - policies for immaterial account balances (p.43)	Heritage assets, intangible assets and inventory are all immaterial account balances for the Council, therefore accounting policies are not required, these policies should be excluded from the final version of the Statement of Accounts.	✓
Property, Plant and Equipment - measurement after recognition policy (p. 48)	Phrasing in the 'Measurement after recognition' policy related to school buildings may cause confusion, as it appears to indicate that two different measurement bases are used for schools. It should be made clear that current value is being estimated using the DRC approach, as in the 'Council offices' and other assets disclosure.	✓
Property, Plant and Equipment – major sources of estimation uncertainty disclosure (p. 58)	This disclosure contains a number of references to valuer raised market uncertainties, which are no longer relevant for the 21/22 financial statements. It also incorrectly states that EUV valuations are dependent on build costs, and does not specify that the rolling programme of revaluations every five years only applies to land and building assets, and not other asset classes.	✓

C. Audit Adjustments

Misclassification and disclosure changes (continued)

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Audit fees – non audit services disclosure (p. 95)	Audit fee disclosure currently includes no reference to expenditure related to the CFO insights service, provided by Grant Thornton outside of our statutory audit service.	✓
Grant income – Grants credited to net cost of services disclosure (p. 101)	This disclosure is missing a '0' for the prior year comparative for the 'Additional Drug Treatment' grant from Public Health England – this line also has an inconsistent font with the rest of the note.	✓
Dedicated Schools Grant – details of the deployment of DSG receivable (p. 102)	The presentation of this note has required slight amendment from the draft version of the financial statements, following correspondence between Devon County Council and the Department for Education. The audit team were made aware of this change at the commencement of the audit.	✓
Directors Remuneration (p95)	Testing identified that the 20.6% NHS pensions primary rate has been applied to both pensionable and non-pensionable pay when calculating pension contributions for Director of Public Health, where it should only have been applied to pensionable pay. This gives a £1,082 higher figure than expected,	✓
Other amendments	A small number of amendment were made to the financial statements and narrative report to correct typographical errors and improve the clarity of reporting.	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 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
CCLA Investment The Council had an investment of £10m at 31 March 2022 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.	Although this would affect the CIES, there is no impact on the General Fund 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. This would also affect the disclosures relating to the Council's financial instruments. In 2021/22, there was an increase in value of £1.7m which is immaterial. This issue was reported in our prior year Audit Findings Report.			The investment is not material.

C. Audit Adjustments

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 2020/21 financial statements

<table>
<tr><th>Detail</th><th>Comprehensive Income and Expenditure Statement £‘000</th><th>Statement of Financial Position £’ 000</th><th>Impact on total net expenditure £’000</th><th>Reason for not adjusting</th></tr>
<tr><td>Pension Fund Liability
In 2020/21, a revised actuarial report was obtained which led to an increase in the Council’s Pension Fund liability of £41m. This was adjusted for but the Council did not adjust for the revenue implications of this.</td><td>£1,225</td><td>None.</td><td>£1,225</td><td>The amount is not material.</td></tr>
<tr><td>CCLA Investment
The Council had an investment of £10m at 31 March 2021 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.</td><td colspan="3">Although this would affect the CIES, there is no impact on the General Fund 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.
This would also affect the disclosures relating to the Council’s financial instruments.
In 2020/21, there was a fall in value of £67k which is considered trivial.
This issue has previously been reported to the Audit Committee – please see page 33.</td><td>The investment is not material.</td></tr>
</table>

D. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit – scale fee published by PSAA	£87,066	£87,066
Additional fee per the Audit Plan	£66,338	£70,838
Total audit fees (excluding VAT)	£153,404	£157,904

Details of variations in final fees from the proposed fee per the audit plan

The fees are reconciled to the financial statements below.

fees per financial statements £153,404

- Additional fee, not included in the Audit Plan, relating to the additional time spent in obtaining samples including chasing responses and requesting appropriate evidence. £4,500
- total fees per above £157,904

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services –Teachers Pension Certification	£7,500	£7,500
CFO Insights subscription	£10,417	£10,417
Total non-audit fees (excluding VAT)	£17,917	£17,917

D. Audit fees – detailed analysis

Scale fee published by PSAA	£87,066
Ongoing increases to scale fee from 2019-20 and 2020-21	
Raising the bar/regulatory factors	£3,125
Enhanced audit procedures for Property, Plant and Equipment (including use of auditor valuation expert)	£7,438
Enhanced audit procedures for Pensions	£1,375
Increased audit requirements of revised ISAs	£8,900
Additional work on Value for Money under new NAO code	£19,000
New issues for 2021/22	
Additional review and quality arrangements for Major local authorities	*£1,500*
Remote working	*£10,000*
Additional local risks work relating to enhanced testing of journals and infrastructure assets	*£15,000*
Additional work involved in managing and collating audit sample evidence	*£4,500*
Total audit fees (excluding VAT)	£157,904

E. Audit opinion

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

The wording of our audit opinion is to follow.

Grant Thornton

grantthornton.co.uk