

The Audit Findings for East Devon District Council

Year ended 31 March 2019

18 October 2019



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

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Headlines

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

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none">• 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. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June, August, September and October. Our findings are summarised on pages 4 to 16. We have identified no adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none">- completing work on property valuations- testing of leases- completing work on financial instruments- completion of manager and partner review of the accounts- receipt of management representation letter; and- review of the final set of financial statements. <p>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.</p> <p>Our anticipated audit report opinion will be unqualified, subject to the satisfactory completion of all outstanding matters.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that East Devon District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised on pages 17 to 20.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">• 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.	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code [and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Governance 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 or change our audit plan, as communicated to you on 31 January 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, and satisfactory completion of our outstanding work and quality reviews we anticipate issuing an unqualified audit opinion after the Audit and Governance Committee meeting on 24 October 2019, as detailed in Appendix D. These outstanding items include:

- completing work on property valuations
- testing of leases
- completing work on financial instruments
- completion of manager and partner review
- receipt of management representation letter; and
- review of the final set of 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 calculations remain the same as reported in our audit plan We detail in the table below our determination of materiality for East Devon District Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1.8 million	Based on 1.9% for your gross expenditure for the year
Performance materiality	1.4 million	Using 75% of materiality to reflect our assessment of risk
Trivial matters	90k	5% of materiality
Materiality for senior officer's remuneration	20k	Potential public interest in these figures

Significant findings – audit risks

Risks identified in our Audit Plan

1

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 the Authority, 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
- the culture and ethical frameworks of local authorities, including East Devon District Council, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for East Devon District Council.

Commentary

Auditor commentary

As part of our planning procedures we were able to rebut this risk. We have made no changes to this assessment.

Significant findings – audit risks

Risks identified in our Audit Plan

2

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. . The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how performance is reported.

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

Commentary

Auditor commentary

We have undertaken the following work in relation to this risk:

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

Our audit work identified that there is no formal process in place for the authorisation of journals. This is due to the small size of the finance team and the limited number of people able to post journals. No issues were identified in our testing of journals.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of land and buildings

The Council revalues its land and buildings, other than housing revenue accounts assets, which are revalued annually, on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£326.3 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert 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
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into 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
- we have also reviewed your previous auditor's working papers to obtain assurance for the opening balances reported in the financial statements.

We raised a recommendation for the Council to document clearly the work undertaken to demonstrate that the carrying value of land and building assets not revalued during the year is not materially different from the current value See Appendix A.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

4 Valuation of pension fund net liability Auditor commentary

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 (£65 million in the Council's balance sheet) 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, which was one of the most significant assessed risks of material misstatement.

We have undertaken the following work in relation to this risk:

- 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 (an 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 and assessing how management have challenged assumptions made by the actuary, including the impact of the Brexit decision on the pension fund investments
- 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 (as auditor's expert) and performing any additional procedures suggested within the report
- obtained 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
- considered the Council's arrangements in respect of the McCloud judgement and undertaken procedures to confirm the reasonableness of the actuary's estimate of the potential impact on the Council.
- we also reviewed your previous auditor's working papers to obtain assurance for the opening balances reported in the financial statements.

Our work concluded that the actuary's estimate of £1,202k for the McCloud judgement should be adjusted for in the accounts. See page 9 for further details on this matter .

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Conclusion
<p>3 Defined Benefit pension Fund</p> <p>McCloud</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where there was transitional protections given to scheme members. Refer here for detail.</p> <p>The Government has applied to the Supreme Court for permission to appeal but it will be July (was originally mid-April) before a decision on permission is granted.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) also has implications for other pension schemes where they have implemented transitional arrangements on changing benefits.</p> <p>GMP</p> <p>The High court ruled that defined benefit pension schemes must remove any discriminatory effect that guaranteed minimum pension (GMP) entitlements have had on member benefits</p>	<p>The impact on East Devon District Council is assessed by the actuary to be an increased liability of £1,112k for the Council and £90k in respect of the Council's share relating to Strata Ltd.</p> <p>A review performed by the NAO and specialist actuarial reviews on a national basis has concluded that there is a requirement for a provision to be made in the accounts. We concur with this view as the event has occurred, a reasonable estimate can be made and the pension liability should be increased.</p> <p>A note outlining the potential effect has been added to the accounts to aid understanding.</p> <p>The Actuarial valuation for the Council has assumed that that the Fund will pay limited increases for members that have reached State pension age by 6 April 2016, with the Government providing the remainder of the inflationary increase.</p>	<p>The value is close to materiality, we would expect the financial statements to reflect the estimated impact. We recommend that management amend the accounts to reflect the increase in the pension liability as a result of the recent McCloud ruling.</p> <p>Management have decided not to amend for this. We will require specific representation from those charged with governance should it be agreed that the amendment should not be made.</p> <p>This is shown as an unadjusted error in Appendix B.</p>

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Council Housing - £236m	The Council owns 4,190 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged the District Valuer Service to complete the valuation of these properties. The year end valuation of Council Housing was £236m, a net increase/decrease of £2.8m from 2017/18 (£233m).	<ul style="list-style-type: none"> The Council instructed the District Valuer Service to value the entire housing stock at 31 March 2019 using the beacon methodology. We have assessed the Council's external valuer to be competent, capable and objective. We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report. The valuation method remains consistent with the prior year. We have carried out sample testing of beacon properties and have no issues to report. The estimate is consistent against valuation trends of similar properties (Gerald Eve report) with house prices for the region increasing by 1.3%. We are satisfied that the increase in value of 1.7% is reasonable We have agreed the HRA valuation report to the Statement of Accounts 	 Green

Assessment

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

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £86m	Other land and buildings comprises £42m of specialised assets such as leisure centres, 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 (£44m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its internal valuer to complete the valuation of properties as at 31/12/18 on a five yearly cyclical basis. 80% of total assets were revalued during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase/decrease of £2.7m. Management have informally considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31/12/18. Management have reviewed asset classes and key assets to determine whether there has been a material change in the total value of these properties. The total year end valuation of Other land and buildings was £86m, a net increase/decrease of £8m from 2017/18 (£78m).	<ul style="list-style-type: none"> The Council engages the services of its internal valuer to undertake valuations of other land and buildings. We have assessed the Council's valuers, to be competent, capable and objective. We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report. We have challenged the assumptions used by the valuer in producing the valuation The valuation method remains consistent with the prior year. We confirm consistency of the estimate against data supplied by the auditor's expert, Gerald Eve to assess the reasonableness of the increase in the estimate. We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts. We have made a recommendation for management to improve documentation to support the carrying value assets not revalued in the year in Appendix A 	 Green

Assessment

-  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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Significant findings – key judgements and estimates

Net pension liability – £65m	Summary of management's policy	Audit Comments	Assessment																								
	<p>The Council's net pension liability at 31 March 2019 is £65m (PY £68m) comprising the Devon 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/these schemes). A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £3m net actuarial gain/loss during 2018/19.</p>	<ul style="list-style-type: none"> We have assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective. We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2018/19 roll forward calculation carried out by the actuary and have no issues to raise. We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions: 	 Green																								
<table border="1"> <thead> <tr> <th data-bbox="855 632 1290 711">Assumption</th> <th data-bbox="1290 632 1485 711">Actuary Value</th> <th data-bbox="1485 632 1973 711">PwC range</th> <th data-bbox="1973 632 2177 711">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="855 711 1290 799">Discount rate</td> <td data-bbox="1290 711 1485 799">2.4</td> <td data-bbox="1485 711 1973 799">Assumption is reasonable and is the middle of expected ranges</td> <td data-bbox="1973 711 2177 799"></td> </tr> <tr> <td data-bbox="855 799 1290 911">Pension increase rate</td> <td data-bbox="1290 799 1485 911">2.4</td> <td data-bbox="1485 799 1973 911">Assumption is reasonable and towards the more optimistic end of expected ranges</td> <td data-bbox="1973 799 2177 911"></td> </tr> <tr> <td data-bbox="855 911 1290 999">Salary growth</td> <td data-bbox="1290 911 1485 999">3.9</td> <td data-bbox="1485 911 1973 999">Lies within the 3.1% to 4.35% range</td> <td data-bbox="1973 911 2177 999"></td> </tr> <tr> <td data-bbox="855 999 1290 1142">Life expectancy – Males currently aged 45 / 65</td> <td data-bbox="1290 999 1485 1142">24.1</td> <td data-bbox="1485 999 1973 1142">Assumption is based on the CMI 2013 model and allowance is in towards more optimistic end of the expected ranges</td> <td data-bbox="1973 999 2177 1142"></td> </tr> <tr> <td data-bbox="855 1142 1290 1281">Life expectancy – Females currently aged 45 / 65</td> <td data-bbox="1290 1142 1485 1281">26.2</td> <td data-bbox="1485 1142 1973 1281">Assumption is based on the CMI 2013 model and allowance is towards the more optimistic end of expected ranges</td> <td data-bbox="1973 1142 2177 1281"></td> </tr> </tbody> </table>				Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4	Assumption is reasonable and is the middle of expected ranges		Pension increase rate	2.4	Assumption is reasonable and towards the more optimistic end of expected ranges		Salary growth	3.9	Lies within the 3.1% to 4.35% range		Life expectancy – Males currently aged 45 / 65	24.1	Assumption is based on the CMI 2013 model and allowance is in towards more optimistic end of the expected ranges		Life expectancy – Females currently aged 45 / 65	26.2	Assumption is based on the CMI 2013 model and allowance is towards the more optimistic end of expected ranges	
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Assessment

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

Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment
Net pension liability – continued	<ul style="list-style-type: none"> We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate. We have confirmed there were no significant changes in 2018/19 to the valuation method. We conducted an analytical review to confirm reasonableness of the Council's share of LPS pension assets. 	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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Going concern

Our responsibility

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

Going concern commentary

Management's assessment process

The Council has prepared an assessment of going concern. This has concluded that it is appropriate for the Council to prepare its accounts on a going concern basis.

The CIPFA Code confirms that entities should prepare their financial statements on a Going Concern basis unless the services provided are to cease. There is no indication from Government that the services provided by the Council will cease.

Auditor commentary

Management have determined that there is no evidence of an intention to cease the provision of services, and have therefore adopted the going concern assumption. It also references its Medium Term Financial Strategy (MTFS), which runs to 2023/24. We have not identified any issues through our review and enquiries that suggest that this is not appropriate.

We have considered the Council's MTFS as part of our work on the Value for Money Conclusion, and have concluded that the assumptions included within this plan appear to be reasonable.

We are satisfied that the going concern assumption is appropriate for the Council's financial statements and is in line with accounting standards and the CIPFA Code.

Other communication requirements

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

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Governance 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.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
④ Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management, permission to obtain confirmations from the Public Works Loans Board and other lenders for loans and requested from management permission to send confirmation requests to various institutions for bank and investment balances. This permission was granted and the requests were sent. All responses required were returned.
⑥ Disclosures	<ul style="list-style-type: none"> Our review identified a number of omissions and errors as reported in Appendix B.
⑦ Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provide. However our audit work identified a number of errors caused by figures in the accounts not being updated. We also experienced difficulties in obtaining appropriate populations to carryout our testing of debtors, creditors and grant income.

Other responsibilities under the Code

Issue	Commentary
① Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix D</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters</p>
③ 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>Work is not required as the Council does not exceed the threshold;</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of East Devon District Council in the audit opinion, as detailed in Appendix D.</p>

Value for Money

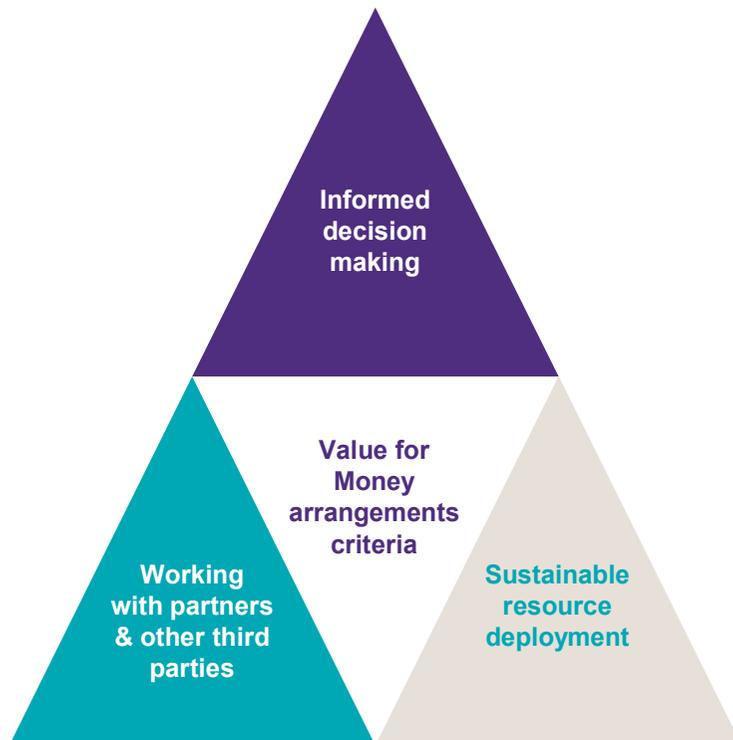
Background to our VFM approach

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

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

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

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



Risk assessment

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

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

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

Value for Money

Our work

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

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

- The Council's final outturn against budget and the budget monitoring arrangements in place in 2018/19
- The medium term financial strategy and the appropriateness and robustness of the assumptions within this
- The robustness of savings plans going forward.

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

Overall conclusion

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

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

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant Risks identified in our plan

Future Financial Sustainability

Local Government funding continues to be stretched with increasing cost pressures from the national pay award, inflation and new homelessness legislation and demand for services. The Medium Term Financial Plan identifies a funding gap of £0.665m for 2019/20 rising to £4.8 million by 2028/29 if no corrective action is taken. To address this shortfall the Council has adopted a Transformation Strategy which sits alongside the Financial Plan, this outlines how the Council will continue to deliver key priorities in the context of reducing government funding and increasing demand for services.

Many local authorities have changed their approach to managing reductions in income, shifting away from reducing spending on services to looking for other savings and sources of income. As part of the Transformation Strategy, you are developing an Asset Investment Strategy to develop alternative sources of income to offset reductions in funding and increasing demand for services.

The 2018/19 budget was presented to Cabinet on 3 January 2018, identifying the need to deliver savings of £665,000, including unidentified savings of £70,000. At month 6, the Council is predicting an overspend of £327,000, which will be met by the use of reserves.

We will review performance against budget and final outturn. We will consider arrangements for monitoring and reporting the financial position and the assumptions used in producing the Medium Term Financial Plan. We will also consider progress towards delivering transformation priorities

Findings

- The Council's original net revenue budget for 2018/19 was £14.57 million. This was predicated on savings incorporated into the budget of £0.67 million and the use of £0.14 million general fund reserves to balance the budget. The budget included an increase in council tax of £5, the maximum increase before triggering a referendum.
- The final outturn position reported an overall underspend of £0.27 million against the original budget and therefore an increase in general fund reserves of £0.42 million to that initially budgeted, with no draw down on these reserves required. The main reasons for this reported underspend relate to variations in areas including car park income, staff vacancies and recycling income. The underspend is less than 2% of the original planned budget and therefore represents good financial monitoring throughout the year.
- The draft accounts presented for audit reported total usable reserves of £30.82 million, including £3.94 million general fund reserves. This represents an increase in the general fund reserves from the prior year of £0.27 million. This level of reserves is above the Council's minimum general revenue balances policy.
- The HRA budget overspent by £0.23 million against the initial planned surplus position of £1.41 million. The main reason for this was in relation to responsive repairs being overbudget. A new maintenance contract has been implemented in 2019/20 which is based on a fixed price per property which is expected to control these costs going forward.

Key findings Continued



- The Council's main savings areas in 2018/19 were in relation to the implementation of green waste scheme and organisation fit for purpose scheme. The income from green waste was not as high as budgeted however, this was offset by additional recycling income. The organisation fit for purpose scheme and the council's investments achieved the budgeted savings / increase in income.
- At the February 2019 Full Council, a net revenue budget of £15.27 million was approved. As in the prior year an increase of £5 in Council Tax was approved.
- Looking forward, the 2019/20 budget incorporated savings of £0.41 million which includes additional income from property investments. The Council are on track with this, with the first property in the commercial investment portfolio currently being finalised. The Council will need to further invest in this area going forward to achieve the planned additional income over the medium term. The organisation fit for purpose scheme continues to be an area of focus for the Council, with significant proportion of the savings required being in this area.
- The medium-term position for the Council is more uncertain. There is no confirmed Government funding plan in place for 2020/21 and beyond due to the impact of Brexit and the impact of the delay of the business rate retention plan and the Fairer Funding Review.
- The Council's transformational strategy supports the Council in closing the budget gap identified within the MTFs from 2020/21. A number of transformation savings have been agreed, with significant additional income expected to be created from further investment in commercial property. A number of other proposals have now been approved to close the budget gap in the medium term.

Overall, the Council has appropriate arrangements in place for financial sustainability, However, we recognise the increased pressures the Council face going forward and importance of continued close in-year monitoring of budgets.

Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to 17 October 2019, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of 2017/18 Pooling Capital Receipts	3,000	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 £3,000 in comparison to the total fee for the audit of £39,132 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.
Certification of 2018/19 Housing benefit subsidy claim	9,000	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 £9,000 in comparison to the total fee for the audit of £39,132 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.

These services are consistent with the Council's policy on the allotment of non-audit work to your. All services have been approved by the Audit and Governance None of the services provided are subject to contingent fees.

Action plan

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

Assessment	Issue and risk	Recommendations
●	It is a requirement that the carrying value of property, plant and equipment is not materially different from current value, although the Council does revalue a significant proportion of its assets during each year, there is no formal process in place to assess whether for land and buildings not revalued at 31 March 2019, the current value is not materially different from the carrying value.	<p>The Council should document using appropriate data its consideration to demonstrate that land and buildings values in the financial statements are not materially different from the current value at the year end.</p> <p>Management response</p> <p>This has been done for 2018/19 and will completed for future years.</p>
●	Although the council has a day to day bank reconciliation in place there is no structured process which at the year-end fully traces the Cash at Bank figure in the financial statements through to the bank balance on the bank statement that fully investigates and documents reconciling items.	<p>An additional working paper should be prepared and subject to review..</p> <p>Management response</p> <p>Agree this will be completed for future years</p>
●	While no issues impacting the Net Financial Position or Net Expenditure of the council were identified, a number of omissions and inconsistencies were found during the audit, predominantly impacting the notes to the financial statements.	<p>The Council should undertake further review of its processes and procedures to identify and resolve these omissions and inconsistencies during the initial preparation of the accounts.</p> <p>Management response</p> <p>The year-end timetable will factor in additional time to check for omissions and inconsistencies to mitigate there occurrence.</p>
●	Our audit work identified that there is no formal process in place for the authorisation of journals. This is due to the small size of the finance team and the limited number of people able to post journals. No issues were identified in our testing of journals.	<p>The Council should consider implementing procedures to address this issue.</p> <p>Management response</p> <p>The Council is accepting this risk against the additional time/resource required to carry out this check. EDDC is no different to a number authorities in this respect.</p>

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
The Debtors and Creditors figures were both overstated by £451k due to an error with the prior year prepayments journal not reversing correctly. There is no net impact on the net assets.		No overall impact	No overall impact
The Cash figure was understated by £158k and the Debtors figure overstated by £158k in relation to items that had been received in bank but treated as waiting to be received. This error therefore fed through to the Cash Flow Statement.		No overall impact	No overall impact
The PPE other land and buildings closing balance (Note 25) for 17/18 along with the closing accumulated depreciation balance was understated by £2,233k in relation to the treatment of the Knowle building. There is no net impact in relation to this item		No overall impact	No overall impact

Audit Adjustments

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.

	Detail	Adjusted?
Salary Bandings note	The Council is required to include a note of employees paid in excess of £50,000 in bands of £5,000 in the financial statements. This was omitted from the draft provided for audit.	✓
Financial Statements various	During the course of the audit a number of other minor disclosure amendments were made to the financial statements, due in the main to figures not being updated throughout the statements.	✓
Note 25.5 Revaluations	The PPE revaluations table in this note contained the incorrect figures for other land and buildings, and showed the revaluation change for the year and not the value of the assets that were last valued at the listed dates.	✓
Note 20.3 Pensions	The other movements in liability figure within the Pensions note was incorrectly recorded as 1,104k but should have read £1,004k. The total was however correct, and had not net impact as a result.	✓
Narrative Report	The review of the narrative report identified that a number of details required to be included were omitted from the draft issued for audit.	✓

Audit Adjustments

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.

	Detail	Adjusted?
Housing Revenue Account	There were a number of errors identified in the Housing Revenue Account,. The surplus/deficit was recorded as (£5,140k) and should have been (£208k). This error arose as these statements had not been updated.	✓
Collection Fund	The total NDR collectable figure in the Collection Fund note was recorded as (£32,968m) and should have read (£36,958m) causing the total income figure to be misstated by £3.99m. This error arose as these statements had not been updated.	✓
Financial Statements various	During the course of the audit a number of other minor disclosure amendments were made to the financial statements, due in the main to figures not being updated throughout the statements.	✓

Audit Adjustments - Unadjusted

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>1 Potential impact of the McCloud judgement</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented.</p> <p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £1,112k for the Council and £90k in respect of the Council's share of Strata Ltd.'s liability. There is also a corresponding impact on the Council's pension reserve.</p> <p>We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p>	1,202	(1,202)	1,202	The figures provided by the actuary are an estimate, and not a formal actuarial valuation. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we are satisfied that the differences are not likely to be material. This issue will be considered as part of the next actuarial valuation exercise in 2019/20.
<p>2 Creditors</p> <p>Our review of creditor balances noted a previously unidentified brought forward balance of £219k. This a historical balance migrated into the Efinancials system.</p>	(219)	219	(219)	The Council is unable to identify the counterparty, but it wishes to undertake further investigation before writing off this balance.

Audit Adjustments - Unadjusted

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>3 Strata Ltd - Presentation in the comprehensive income and expenditure statement (CIES).</p> <p>The Council has included transactions with Strata Ltd on a separate line in the CIES, rather than including within the service line headings.</p>	No impact		No impact	The Council has not amended as the current presentation is considered to provide more detailed information for the user.
<p>4 Unrecorded Liabilities</p> <p>Testing identified that the Council had not included expenditure of £168k in respect of an asset under construction incurred in March 2019 in the accounts. This adjustment will increase the carrying value of assets under construction and increase accruals.</p>		No overall impact		The Council considers that this is immaterial to the financial statements and will be adjusted in the current financial year.
<p>Overall impact</p> <p>The impact of the adjustment relating to McCloud would be adjusted through the Movement on Reserves Statement. Adjusting for the creditor balance would increase the Council's general fund balance by £219k.</p>	£983	£nil	£983	

Fees

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

Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £39,132. Our audit approach, including the risk assessment, continues as the year progresses and fees are reviewed and updated as necessary as our work progresses.

Update to our risk assessment – Additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. These are issues affecting all local government bodies and do not reflect issues arising at the Authority. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

Additional Audit Fees

Area of work	Timing	Comment	£
Assessing the impact of the McCloud Ruling	June – July 2019	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statement along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500
Pensions – IAS 19	June - July 2019	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.	1,500
PPE Valuation – work of experts	June - July 2019	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	1,500
Other matters	March – October 2019	We encountered a number of other issues which required additional time to resolve, these related to: <ul style="list-style-type: none"> • Delays caused by Council staff availability delaying the start of our interim audit • Additional time required to obtain reconciling populations for grants, debtors, creditors and housing benefits • Bank reconciliation issues • Work required to confirm that property not revalued during the year was not materially misstated, and to resolve errors identified. • Resolution of errors identified from the movement in reserves statement 	3,000

Fees

Total Audit Fees

Audit fee	Actual 2017/18 fee £	Planned 2018/19 fee £	Final 2018/19 fee £
Council Audit	50,821	39,132	39,132
Additional Audit Fees (see above)	-	-	7,500
Total audit fees (excl VAT)	50,821	39,132	46,632

Non Audit Fees

Fees for other services	Fees £
Audit related services:	
• Certification of housing pooling capital receipts	3,000
• Certification of housing benefit subsidy 2018-19	9,000
Total fees for other services	12,000

Draft Audit opinion

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

Independent auditor's report to the members of East Devon District Council

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

Draft Audit opinion

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
 - we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
 - we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
 - we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.
- We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Strategic Lead Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 14, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Lead Finance. The Strategic Lead Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Lead Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

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

Responsibilities of the Authority

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

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

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

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

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the East Devon District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

Geraldine Daly, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

