

# **Audit Findings (ISA 260) Report for East Devon District Council**

Year ended 31 March 2025

January 2026



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26 January 2026

Dear Members of the Audit & Governance Committee

**Audit Findings for East Devon District Council for the 31 March 2025**

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

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

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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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-2025.pdf).

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

Peter Barber

Director  
For Grant Thornton UK LLP

**Chartered Accountants**

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# Headlines and status of the audit

# Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of East Devon District Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of 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 Authority's financial statements give a true and fair view of the financial position of the Authority 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) and Narrative Report) is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Owing to the challenges of undertaking an opinion audit where the previous 3 years audits were subject to backstop-related disclaimed audit opinions, we have been unable to undertake sufficient work to support an unmodified audit opinion for 2024/25 in advance of the backstop date of 28 February 2026. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements for 2024/25 and we will modify our opinion on the financial statements.

In light of this historic position, the aspiration for 2024/25 was to undertake a full in year audit and seek to regain as much assurance on closing balances at 31 March 2025 recognising the limitations of the prior year opening balances qualification.

To assist with the recovery of assurance in 2024/25 we made our working paper requirements available prior to year end. We then worked with finance officers during the April to September 2025 period to prepare for our post-statements visit. This work included reviewing your year-end bank reconciliation, reconciling the trial balance to the draft financial statements and discussing working paper requirements and early sample selection.

The Draft 2024/25 financial statements were published ahead of the end of June 2025 deadline, the first time that the Council has achieved this for a number of years. Our full post-statements audit commenced in late September 2025 and as at 26 January 2026 our in-year audit is well progressed. Our findings are summarised on pages 16 to 38.

Whilst lots of progress has been made in our Property Plant and Equipment (PPE) testing, our work this year continues to identify issues that individually and cumulatively are indicative of material error. The main areas of concern relate to the valuation of your leisure facilities, play areas and your depreciation charges. Given the backstop from prior year, it was never going to be possible to regain full assurance over PPE in 2024/25 but a key action for 2025/26 will be for the Council to prioritise these areas to ensure they are correctly valued going forward. We have made a number of recommendations to this end. Further details are provided on pages 50 to 61.

# Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of East Devon District Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

## Financial statements (continued)

In addition, a number of non-material adjustments have been identified, some of which have been corrected in the revised financial statements, and we have recommended a number of other audit adjustments to improve the presentation of the financial statements as detailed in pages 46 to 48. We have also raised recommendations for management as a result of our audit work in pages 50 to 61. Our follow up of recommendations from the prior year's audit are detailed in pages 62 to 63.

We set out in more detail the regaining of assurance in Appendix C.

As set out in more detail on page 9 there has been a stepped change in the Authority's commitment and ability to firstly produce materially accurate financial statements and then in turn support the challenging audit process. The audit this year, has not been without challenges but whilst our proposed opinion for 2024/25 remains qualified and the PPE issue arising this year will be reflected in this qualification, some assurance can be taken that the Council is moving forward and is now much better placed to regain full audit assurance in future years.

Areas of focus for the Council in 2025/26 in addition to the PPE issues include:

- Ensuring cut-off for income and expenditure is correct
- Reconciling all bank accounts on a timely basis and investigating any differences

Key areas where full assurance remains outstanding due to the backstop:

- Opening balances,
- In year movements net pension liability and PPE,
- Closing PPE,
- Closing reserves.

In addition, at the time of drafting this report the other areas outstanding are detailed in Appendix C. We will provide a verbal update on progress against these areas to the forthcoming Audit & Governance Committee.

# 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 Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority'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 Authority's arrangements under the following specified criteria:

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

We have completed our VFM work and our detailed commentary is set out in the separate Interim Auditor's Annual Report, which is presented to the September meeting of the Audit Committee. A final version of this document will be issued alongside our disclaimed audit opinion.

At the time of drafting the Interim Auditor's Annual Report we held open our assessment in respect of governance arrangements in respect of the Council's ability to produce complete and accurate financial statements and support the audit process. Given the improvements noted in this area in 2024/25 we are no longer minded to classify this as a significant weakness but will include an improvement recommendation highlighting the need for continued efforts to regain full audit assurance going forward. A revised interim version of this report will be presented alongside this report to the January 2026 of the Audit and Governance Committee.

Notwithstanding the above, our Interim Auditor's Annual Report did identify significant weaknesses in financial sustainability in respect of the HRA budget for the year and as a result are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 65).

# Headlines

## 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 have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the NAO that the group audit ( Department of Health & Social Care for NHS and Whole of Government Accounts for non-NHS) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

## Significant matters

The ability to produce complete, timely and accurate financial statements and support the subsequent audit process is fundamental to demonstrating financial accountability for public monies. The Audit and Governance Committee as Those Charged with Governance at the Council can take comfort that there has been a stepped improvement in these arrangements for 2024/25 recognising further continued efforts will be required to refine closedown processes and further improve the timeliness of sample and audit query responses going forward to fully regain assurance.

We would like to put on record, our appreciation to the finance team for embracing the challenge this year. We have received good cooperation from finance officers and there has been a clear commitment to support the audit and this has enabled us to gain assurance over in year transactions and recover some of the assurance over year end closing balances.

We will undertake a detailed wash up session with finance officers to reflect on 2024/25 and what learning can be taken into 2025/26 on both sides.

# Headlines

## National context – audit backlog

### Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

In the case of East Devon District Council, the last unqualified audited financial statements were in 2020/21 with the following three years audits being subject to the backstop. 2024/25 represents the first year of a recovery in assurance recognising the opinion will remain qualified until full assurance has been regained.

# Headlines

## Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

### Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

### Impact on the Authority

IFRS 16 has mainly impacted on the Council's financial statements in respect of Right Of Use assets brought into use on the Balance Sheet. The Council did not have significant operating lease commitments in its financial statements in previous years.

The Council has adopted appropriate accounting policies and disclosures including:

- application of judgment and estimation
- related internal controls that required updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

# Headlines

## Implementation of IFRS 16 (continued)

### Findings from our work

We have performed a full review of the IFRS16 accounting applied by the Council.

Our detailed review of the Council's arrangements for identifying all right of use assets that may be subject to IFRS 16 has provided assurance over the main potential leases that fall within this category but nonetheless requires further evidence going forward to demonstrate that the Council had identified all leases and assets that may fall within this standard. Please see page 28 for further information.

# Materiality

# Our approach to materiality

As communicated in our Audit Plan dated 18 June 2025, we determined materiality at the planning stage as £2.025m based on 2% of prior year gross expenditure of the Authority. At year-end, we have reconsidered planning materiality based on the draft financial statements. We have updated materiality based on the increased level of gross expenditure as at 31 March 2025.

A recap of our approach to determining materiality is set out below.

## Basis for our determination of materiality

- We have determined materiality at £2.2m based on professional judgement in the context of our knowledge of the Authority.
- We have used 2% of gross expenditure as the basis for determining materiality.
- We considered the proportion of gross expenditure of the Authority to be an appropriate benchmark for the financial year. In the prior year we used the same benchmark.

## Performance materiality

- We have determined performance materiality at £1.320m, this is based on 60% of headline materiality. We have revised the performance materiality percentage to reflect the increased risk due to previous financial statements being subject to backstop legislation.

## Specific materiality

- We have determined a lower separate materiality for the senior officer remuneration of £28k, which is based on 2% of the total senior officer remuneration.

## Reporting threshold

- We will report to you all misstatements identified in excess of £110k, in addition to any matters considered to be qualitatively material.

# Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	2,200,000	Materiality has been based on 2% of Gross Operating Expenditure.
Performance materiality	1,320,000	Low level of deficiencies in control environment and quality of financial statements in prior years. Calculated as 60% of materiality.
Specific materiality for senior officers remuneration	28,000	We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures.
Reporting threshold	110,000	Based on 5% of materiality.

# **Overview of significant and other risks identified**

# Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty
Risk 1 - Management override of controls*	Significant	↔	✓	Low
Risk 2 - The revenue cycle includes fraudulent transactions*	Rebutted	↔	✗	Low
Risk 3 - The expenditure cycle includes fraudulent transactions*	Rebutted	↔	✗	Low
Risk 4 - Valuation of land and buildings, including investment properties and council dwellings*	Significant	↔	✗	Medium
Risk 5 - Valuation of the pension fund net asset / liability*	Significant	↔	✗	High
Risk 6 – Implementation of IFRS16 Leases	Other	↔	✗	Medium

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

\* We are unable to give full assurance due to application of the backstop

# Significant risks

## Risk identified

### Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.

We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.

We note that journals are not approved in the financial system before being posted. Finance team members who have access to post journals can therefore self approve journals.

## Audit procedures performed

We have:

- evaluated the design and implementation of management controls over journals;
- Review of accounting estimates, judgements and decisions made by management;
- 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; and
- reviewed and tested transfers between the General Fund and HRA.

## Key observations

During our audit work we noted that Finance Team members who have access to post journals can self approve journals as journals are not approved in the financial system. We also reported this in the prior year audit and have therefore left this recommendation open – see page 62.

We have tested 61 journals during the audit and our audit work has not identified any issues in respect of management override of controls.

We have noted no material adjustments or findings in relation to override of controls but are unable to give full assurance due to application of the backstop.

# Significant risks

## Risk identified

### Presumed risk of fraud in revenue recognition

Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition.

## Audit procedures performed

We have completed a risk assessment of all revenue streams for the Authority. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of public sector bodies, including the Authority, mean that all forms of fraud are seen as unacceptable.

Therefore, we do not consider this to be a significant risk for the Authority.

## Key observations

Our risk assessment was reviewed throughout the audit and our assessment at planning remains consistent.

Our testing of income cut off has identified a sample that was pertaining for this financial year but has not been accrued for. This has resulted in an under statement of income of £133k. We have also noted a second sample item whereby an accrual has not been made where the invoice crosses over a month. 23 out of 25 samples have resulted in a satisfactory result. We have not extended our testing in this area as a disclaimer opinion is being issued, but we have raised a recommendation to management – see page 50.

Based on the above, we are comfortable that there is not a material risk of income recognition but are unable to give full assurance due to application of the backstop.

# Significant risks

Risk identified	Audit procedures performed	Key observations
<p><b>Presumed risk of fraud in expenditure recognition</b></p> <p>Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.</p>	<p>We have completed a risk assessment of all expenditure streams for the Authority. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate expenditure recognition;</li> <li>• opportunities to manipulate expenditure recognition are very limited; and</li> <li>• the culture and ethical frameworks of public sector bodies, including the Authority, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we do not consider this to be a significant risk for the Authority.</p>	<p>Our risk assessment was reviewed throughout the audit and our assessment at planning remains consistent.</p> <p>Our testing of expenditure cut off has identified two samples that were pertaining for this financial year but has not been accrued for. This has resulted in an under statement of expenditure of £666k. We have also noted a third sample item whereby an accrual has not been made where the invoice crosses over a month. 22 out of 25 samples have resulted in a satisfactory result. We have not extended our testing in this area as a disclaimer opinion is being issued, but we have raised a recommendation to management – see page 50.</p> <p>Based on the above, we are comfortable that there is not a material risk of expenditure recognition but are unable to give full assurance due to application of the backstop.</p>

# Significant risks

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of land and buildings, including investment properties and council dwellings</b></p> <p><u>Land and buildings</u></p> <p>The Council revalues its land and buildings on a rolling five-yearly basis at 31 December each year. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£104.5m as at 31 March 2025 and £102.9m at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions.</p> <p>The Council revalue its investment property on an annual basis as required by the CIPFA Code. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£3.125m as at 31 March 2025 and £2.9m as at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions.</p> <p>The Council revalues it's housing stock (£284.085m as at 31 March 2025 and £284.9m at 31 March 2024) at 31 March each year, using the Beacon Methodology as required by the CIPFA Code.</p> <p>Where a rolling programme is used, 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.</p> <p>Management have engaged the services of a valuer to revalue the land and buildings, including investment properties and council dwellings as at 31 March 2025.</p> <p>We therefore identified valuation of land and buildings, including investment properties and council dwellings as a significant risk.</p>	<p><u>Land and buildings</u></p> <p>We have:</p> <ul style="list-style-type: none"> <li>• Evaluated management's processes and controls for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• Evaluated the competence, capabilities and objectivity of the valuation expert;</li> <li>• Written to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;</li> <li>• Evaluated the valuer's report to identify assets that have large and unusual changes and /or approaches to the valuation – these assets were substantively tested to ensure the valuations are reasonable;</li> <li>• Tested a selection of other assets revaluations made during the year to see if they had been input correctly into the Council's asset register, revaluation reserve, and Statement of Comprehensive Income;</li> <li>• Evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value;</li> <li>• For all assets not formally revalued or revalued on a desktop/indexation basis only, evaluated the judgement made by management or others in determination of current value of these assets.</li> </ul>	<p><u>Land and buildings</u></p> <p>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.</p> <p>For non-specialised assets we agreed valuations to rental income records and challenged yield values in relation to nationally published data.</p> <p>Whilst good progress has been made in our land and buildings testing, our work this year continues to identify issues that individually and cumulatively are indicative of material error. The main areas of concern relate to the valuation of your leisure facilities, play areas and your depreciation charges. Given the backstop from prior year, it was never going to be possible to regain full assurance over land and buildings in 2024/25 but a key action for 2025/26 will be for the Council to prioritise these areas to ensure they are correctly valued going forward.</p> <p>Our audit findings are reported in the section on estimates and judgements on page 31.</p>

# Significant risks

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of land and buildings, including investment properties and council dwellings - continued</b></p> <p><u>Investment Property</u></p> <p>The significant value of investment properties and the sensitivity to changes in assumptions.</p>	<p><u>Investment Property</u></p> <p>We have:</p> <ul style="list-style-type: none"> <li>• Evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to management’s valuation experts and the scope of their work.</li> <li>• Evaluated the competence, capabilities and objectivity of the valuation expert.</li> <li>• Evaluated the valuer’s report to identify assets that have large and/or unusual changes in value and/or approach to the valuation and subject those assets to testing.</li> <li>• Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.</li> <li>• Tested a sample of asset valuations to ensure that the correct accounting treatment has been applied and correctly reflected in the financial statements.</li> </ul>	<p><u>Investment Property</u></p> <p>Our audit testing noted a difference between the value of investment property in the financial statements and the valuers report of £135k. This difference relates to the land element, which the Authority has included in Land and Buildings.</p> <p>Based on the above, we are comfortable that the closing balance for investment property is not materially misstated. But we are unable to give full assurance due to application of the backstop.</p>

# Significant risks

## Risk identified

### Valuation of land and buildings, including investment properties and council dwellings - continued

#### Council Dwellings

The Authority revalues its council dwellings on an annual basis (i.e., every 31 March) by adopting beacon valuation method and applying indices to those dwellings that are not formally valued.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and sensitivity of this estimate to changes in key assumptions,

Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value at the financial statements date.

## Audit procedures performed

#### Council Dwellings

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 Council's 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 Authority's asset register; and
- 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 (fair value for surplus assets) at year-end;

## Key observations

#### Council Dwellings

The Council has revalued its council dwelling as at 31 March 2025 using the beacon valuation method in line with *Stock Valuation for Resource Accounting: Guidance for valuers (2016)*. This approach involves selecting representative beacon properties, determining their market value, and applying these valuations across the wider portfolio.

The Council identified 44 beacons across its housing stock, which represents different housing characteristics combined to identify a beacon that would represent a number of dwellings with similar type and size.

For 2024/25, the Council's external valuer 'formally valued' 42 beacons. This represents 98% of the total beacons. The council uses a rolling revaluation programme in which one fifth of the authorities individual beacon sites will be visited each year, revaluing all beacons within the 5 year timeframe.

Our audit findings are reported in the section on estimates and judgements on page 35.

# Significant risks

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of net pension liability</b></p> <p>The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£3.6m in the Authority's Balance Sheet at 31 March 2025) and the sensitivity of the estimate to changes in key assumptions.</p> <p>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. However, the Authority has had to consider the potential impact of 'IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset'. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. (continued on following page)</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design effectiveness of the associated controls;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities, and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate its liability;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures as suggested within the report; and</li> </ul>	<p>We have received assurance from the auditors of pension fund. We have reviewed this and noted material difference between the benefits reported in the IAS 19 and the figures submitted by the Fund to the Actuary.</p> <p>The pension fund auditor identified a projected understatement of £14.11m between the investment values recorded in the financial statements and the investment values confirmed by the Fund Manager. This relates to timing differences where the Fund Manager has information of the values at 31 March 2025 at the time of audit which was not available at the time the Fund is preparing the accounts. This is reported as an unadjusted misstatement in the Audit Findings Report of the Fund.</p> <p>Based on projections, we estimate this would impact the Council's reported share of pension fund assets by approximately £0.298m. This amount is not material; therefore, no further work or adjustments are proposed.</p> <p>A further understatement of £17.6m was identified due to the omission of long-term investments in the data submitted to the actuary. we estimate this would impact the Council's reported share of pension fund assets by approximately £371k. This amount is not material; therefore, no further work or adjustments are proposed. We have confirmed that the impact of IFRIC 14 was appropriately considered and reflected in the net pensions liability figure.</p>

# Significant risks

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of net pension liability (continued)</b></p> <p>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.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>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. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's net pension liability/asset as a significant risk.</p>	<ul style="list-style-type: none"><li>• 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.</li></ul>	<p>Our work is now complete in this area. Based on the above, we are comfortable that there is not a material risk over the IAS19 closing position but are unable to give full assurance over in year and opening balances due to application of the backstop.</p>

# Other findings

# Other areas impacting the audit

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
<p><b>Cybersecurity</b></p> <p>We note that the Authority does not have a formal policy covering cybersecurity, but rather adopts Strata’s policy.</p> <p>We specifically note the following areas of cybersecurity should be reviewed to identify and implement additional measures as required:</p> <ul style="list-style-type: none"><li>• Third party supplier IT system / data access</li><li>• Data security including personal data</li><li>• Staff cyber awareness and training</li><li>• IT system user access management</li><li>• System and network security</li></ul> <p>In addition our audit work has noted that several of the Authority’s IT policies such as AI Acceptable Use Policy and BYOD policy are dated June 2024 with a declaration that these are reviewed and updated every four months. These reviews have not been undertaken as at the date of drafting this report.</p>	<p>Based on statistics released by the Department for Science, Innovation and Technology in April 2025, 43% of businesses report having experienced a cyber breach or attack in the last 12 months.</p> <p>High profile cyberattacks undermine trust in an organisation and can shatter hard won reputations. Organisations are also required under GDPR regulation to have appropriate safeguards over personal data they hold and can face large fines if an avoidable breach occurs.</p> <p>The majority of cyberattacks reported are unsophisticated and could be avoided through implementation of simple cybersecurity measures.</p>	<p><b>Auditor view</b></p> <ol style="list-style-type: none"><li>1. We recommend that management proactively assess the Authority’s level of cyber risk exposure and put in place appropriate policies/safeguards as required in the areas highlighted.</li><li>2. We recommend that management undertakes a review of all IT policies currently in use to determine whether these need updating and prepare a schedule for how these will be maintained in future periods.</li></ol> <p><b>Management response</b></p> <p>Development in this area has been ongoing and has moved forward. For example, Strata have recently been reviewed on our cyber security and the outcome was really positive. We have also successfully undertaken staff cyber security training.</p> <p>We commit to review policies; this is underway with our Artificial Intelligence policy already under review.</p>

# Other areas impacting the audit

Issue	Commentary	
<p><b>IFRS 16 implementation</b></p> <p>The adoption of IFRS 16 is required for local government authorities at 1 April 2024. We would expect audited bodies to disclose the implementation of the new accounting standard requirements, the nature of the changes in accounting policy for leases, along with the impact of IFRS 16 on transition.</p>	<p>As set out in the Audit Plan, the focus of our work in respect of the implementation of this new standard was completeness.</p> <p>Our work focussed on the Council’s evidence provided to demonstrate all potential lease arrangements likely to fall within this standard had been identified. Whilst our work concluded that most likely assets by type had been identified including:</p> <ul style="list-style-type: none"> <li>– Material operating lease commitments for Property and vehicles</li> <li>– Peppercorn lease arrangements</li> </ul> <p>For a number of the less likely categories including:</p> <ul style="list-style-type: none"> <li>- Non-trivial lease arrangements for small items i.e. credit card machines</li> <li>- Strata arrangements for IT equipment</li> </ul> <p>The Council indicated that no such IFRS16 arrangements existed but were unable to support this with any evidence demonstrating sufficient work had been done.</p>	<p><b>Auditor view</b></p> <p>Management should ensure that the process used to assess the completeness of hire arrangements and potential leases is formally documented and retained. This should include the procedures performed, data sources reviewed, key judgments applied, and conclusions reached.</p> <p><b>Management response</b></p> <p>Agree</p>

# Other findings – significant matters

Issue	Commentary
Significant events or transactions that occurred during the year	No matters to communicate
Business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement	No matters to communicate
Concerns about management's consultations with other accountants on accounting or auditing matters	No matters to communicate
Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	No matters to communicate
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No matters to communicate
Other matters that are significant to the oversight of the financial reporting process	No matters to communicate
Prior year adjustments identified	No matters to communicate

# Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The revenue recognition policies included within the financial statements are appropriate and in accordance with the Code.	No matters to report.	No overall conclusion formed this year, as our opinion has been disclaimed
Expenditure recognition	The expenditure recognition policies included within the financial statements are appropriate and in accordance with the Code.	No matters to report.	No overall conclusion formed this year, as our opinion has been disclaimed
Valuation methods	Valuation methods are appropriate and in accordance with the Code.	No matters to report.	No overall conclusion formed this year, as our opinion has been disclaimed
Other critical policies	All accounting policies are appropriate and in accordance with the Code.	No matters to report.	No overall conclusion formed this year, as our opinion has been disclaimed
Additions to Property, Plant and Equipment	The policy states that “a de minimus level of £20,000 has been agreed for Capital Expenditure. Any costs below are charged to revenue.”	However during our audit testing we noted several assets with a value of less than £20,000 being added as Capital Expenditure, which does not comply with the accounting policy. The total of these new additions was £207k. We have raised a recommendation to management in respect of this non-compliance – see page 53.	No overall conclusion formed this year, as our opinion has been disclaimed

# Other findings – key judgements and estimates

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

**Assessment:**

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p><b>Valuation of land and buildings, including investment properties and council dwellings</b></p> <p>Land and buildings £104.536m at 31 March 2025.</p> <p>Investment properties £3.125m at 31 March 2025.</p> <p>Council dwellings £284.085m at 31 March 2025.</p>	<p><u>Land and buildings</u></p> <p>Other land and buildings comprises £45m 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 (£59.5m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has an internal valuer to complete the valuation of properties as at 31 December 2024 on a five yearly cyclical basis. 84% of total assets were revalued during 2024/25.</p> <p>Management have considered the potential valuation change for those assets revalued in prior years, to determine whether there has been a change in the total value of theses properties as at 31 March 2024. Management’s assessment of asset valuation over this period has identified no material change to the value of these assets.</p>	<p><u>Land and buildings</u></p> <p>We have carried out the following work in relation to this estimate in line with the revised ISA540 requirements:</p> <ul style="list-style-type: none"><li>• Assessed management’s expert to ensure suitably qualified and independent;</li><li>• Assessed the completeness and accuracy of the underlying information used to determine the estimate;</li><li>• Assessed the appropriateness of any alternative site assumptions;</li><li>• Assessed the impact of any changes to valuation method; and</li><li>• Assessed adequacy of disclosure of estimate in the financial statements.</li></ul> <p>During our audit work, we identified that five leisure facilities were selected for testing. Three of these facilities do not include swimming pools; however, all three had been valued using a build cost applicable to leisure facilities with swimming pools. We challenged the valuer on the appropriateness of applying the same rate and were advised that this reflected valuer judgement. We subsequently recalculated the valuations for the three facilities using a build rate that excludes swimming pool provision and identified an estimated valuation variance of £2.1m, as a result it is not recorded as an error. We have therefore raised a recommendation to Management – see page 55.</p>	<p>● <b>Red</b></p> <p>We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated.</p> <p>No overall conclusion formed this year, as our opinion has been disclaimed.</p>

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings, including investment properties and council dwellings - continued	The total year end valuation of land and buildings was £104.526m, a net increase of £1.6m from 2023/24 (£102.891m).	<p>In performing the reconciliation of other land and buildings between the valuation report, fixed asset register and financial statements, the audit team noted that the valuations are performed as at 31 December 2024. As the valuation date of 31st December was 3 months before the year end date of 31st March, consideration was given by the valuer to any factors which would have led to a material difference between the values reported and those as at 31st March. The valuer was of the view that there would not be any material impact on the figure reported between valuation date and 31 March 2025. However, Management appear to have applied depreciation on 31 December values for the remaining 3 months, which have created a material difference between the valuers report at the valuation date and 31 March 2025. The value of depreciation applied is £2.9m and the net value of revalued assets as at 31 March 2025 is £1.9m less than the 31 December value, however Management are unable to provide an explanation for the differences. We would recommend the management to review their assets revalued at the year end and ensure that the year end values reported are not materially different than the values reported by the experts, where the date of valuation is different than the year end date and has confirmation from the valuers that they are no factors which would result in a difference. See page 57 for recommendation made to Management.</p> <p>In our testing of various assumptions under other land and buildings revaluation, we have identified that play areas are revaluated on DRC basis. The valuation involves estimation received from the engineers for equipment, installation, safety surfacing and fencing. The valuers are not able to provide the underlying calculation or supporting evidence, with respect to these estimates, hence, the audit team is unable to gain an assurance over the valuation of these assets. In the absence of underlying calculations, the audit team is unable to comment if these are valued in line with RICS guidance for DRC valuation. Hence, we would recommend the council to share the copy of underlying calculation and evidence with the audit team. See page 55 for recommendation made to Management.</p>	

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings, including investment properties and council dwellings - continued		<p>During our testing of other land and buildings, we tested the valuation of car parks. Car parks were valued on an Existing Use Value (EUV) using the income approach. The valuation involves taking the average car park income for the last three years. The audit team noted difference in the average car park income which was observed by the auditor as being downloaded from the car park portal and the value used by the valuer. In our testing of 8 car park samples, we have noted a total estimation difference on £980k (undervalued), whilst we have not recorded this an error the difference needs to be understand before full assurance can be provided. We have therefore made a recommendation to Management – see page 61.</p> <p>In accordance with the CIPFA code, not all assets are revalued every financial year. In 2024/25, £17m of assets were not revalued. We challenged Management to provide an assessment that these unvalued assets were not materially misstated as at 31 March 2025. Management were unable to provide such an assessment. We have therefore made a recommendation to Management – see page 59.</p>	

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings, including investment properties and council dwellings - continued	<p><u>Investment properties</u></p> <p>The Authority holds one investment property. The Authority instructed internal valuer to re-value this property at the year end.</p> <p>The total year end valuation of investment properties was £3.125, a net increase of £0.025m from 2023/24 (£3.1m).</p>	<p><u>Investment properties</u></p> <ul style="list-style-type: none"> <li>Assessed management's expert to ensure suitably qualified and independent;</li> <li>Assessed the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>Assessed the impact of any changes to valuation method; and</li> <li>Assessed adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our audit testing noted a difference between the value of investment property in the financial statements and the valuers report of £135k. This difference relates to the land element, which the Authority has included in Land and Buildings.</p>	<p><b>● Green</b></p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p> <p>No overall conclusion formed this year, as our opinion has been disclaimed.</p>

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings, including investment properties and council dwellings – continued	<p><u>Council dwellings</u></p> <p>The Authority owns 44 dwellings and revalues these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance stipulates that either the use of beacon methodology or discounted cash flow can be used to value council dwelling properties.</p> <p>The Authority has engaged the Valuations Office Agency to complete the valuation of these properties. The year end valuation of council dwellings was £284.085m, a net decrease £0.906m of from 2023/24 (£284.991m).</p>	<p><u>Council dwellings</u></p> <p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>assessed management's expert to ensure they are suitably qualified and independent;</li> <li>tested, on sample basis, the valuation against publicly available market information of similar dwellings;</li> <li>tested, on sample basis, the appropriateness of allocation of beacons to non-beacon properties;</li> <li>for material correctness at year-end, assessed the consistency of the estimate against national indices as verified to supporting data; and</li> <li>assessed the adequacy of the disclosure of the estimate in the financial statements.</li> </ul> <p>Our audit testing involves establishing similar properties with similar characteristics are identified against a beacon given the valuation of beacon is applied to the residual population. We note that the similar characteristics include size, location and type. Our testing identified some properties where the location differed significantly between assets within the same beacon. We have therefore raised a recommendation to Management – see page 60.</p> <p>Our audit testing also noted that the Council have recorded non-enhancing capital expenditure as additions and to ensure that the year end valuation agrees with the valuers report, an adjustment has been made, with the total being taken to the revaluation reserve. However, in accordance with the CIPFA Code, the correct accounting treatment should have been that Management evaluate what items should be de-recognised with this amount being taken to the Capital Adjustment Account and any difference compared to the valuers report and an adjustment made to the revaluation reserve at that point. Additionally, as the Council values each of the properties according to their address, the additions, de-recognition and revaluation should also be conducted on an asset by asset basis, rather than in totality. We have therefore raised a recommendation to Management – see page 60.</p> <p>Whilst we now have more assurance over Council Dwelling Valuations testing more work is required by the Council in 2025/26 to ensure similar levels of valuation coverage whilst addressing our recommendations to ensure full assurance is regained as soon as possible.</p>	<p><b>● Red</b></p> <p>We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated.</p> <p>No overall conclusion formed this year, as our opinion has been disclaimed.</p>

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
<p><b>Valuation of net pension liability</b></p> <p>£3.65m at 31 March 2025</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.</p>	<p>The Council's net pension liability at 31 March 2025 is £3.65m (PY £3.89m) comprising the Devon County Council Local Government Pension Scheme. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>Assessment of management's expert</li> <li>Assessment of actuary's approach taken, detail work undertaken to confirm reasonableness of approach</li> <li>Use of PwC as auditors expert to assess actuary and assumptions made by actuary – use table to compare with actuary assumptions</li> </ul> <table> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.8%</td><td>5.6%-5.95%</td><td>Reasonable</td></tr> <tr> <td>Pension increase rate</td><td>2.90%</td><td>2.85%-2.95%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>3.90%</td><td>3.85%-3.95%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>21.4/22.7</td><td>19.2-21.8 / 20.6-23.1</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>22.7/24.1</td><td>22.7-24.3 / 24.1-25.7</td><td>Reasonable</td></tr> </table> <ul style="list-style-type: none"> <li>Completeness and accuracy of the underlying information used to determine the estimate</li> <li>Impact of any changes to valuation method</li> <li>Reasonableness of the Authority's share of LGPS pension assets.</li> <li>Reasonableness of increase/decrease in estimate</li> <li>Adequacy of disclosure of estimate in the financial statements</li> </ul>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.6%-5.95%	Reasonable	Pension increase rate	2.90%	2.85%-2.95%	Reasonable	Salary growth	3.90%	3.85%-3.95%	Reasonable	Life expectancy – Males currently aged 45/65	21.4/22.7	19.2-21.8 / 20.6-23.1	Reasonable	Life expectancy – Females currently aged 45/65	22.7/24.1	22.7-24.3 / 24.1-25.7	Reasonable	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious.</p> <p>No overall conclusion formed this year, as our opinion has been disclaimed.</p>
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.8%	5.6%-5.95%	Reasonable																								
Pension increase rate	2.90%	2.85%-2.95%	Reasonable																								
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Life expectancy – Males currently aged 45/65	21.4/22.7	19.2-21.8 / 20.6-23.1	Reasonable																								
Life expectancy – Females currently aged 45/65	22.7/24.1	22.7-24.3 / 24.1-25.7	Reasonable																								

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision	TBC	<p>Our work is on-going in this area. We note that the current year MRP is £937k which when considered alongside the closing the Capital Financing Requirement (a proxy for Council debt) appears low. We have challenged management as to the basis of this calculation to demonstrate that this provision is prudent. Going forward the Council will need to demonstrate that not just future years MRP remain prudent but also the charges for the period over which the backstop opinion was applied – see page 58 for recommendation.</p> <p>At the time of drafting this report, we are awaiting responses to queries from Management.</p>	TBC

# Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
E-financials - General Ledger	ITGC assessment (design, implementation and operating effectiveness)	● Green	● Green	● Green	● Green
i-Trent Payroll	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green
CIFPA – Fixed Asset System	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green

## Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

# **Communication requirements and other responsibilities**

# Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
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.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's bankers, lenders and borrowers. This permission was granted, and the requests were sent. All of these requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations	All information and explanations requested from management was provided.
Significant difficulties	No significant challenges were experienced during the audit.
Other matters	There are no other matters we wish to bring to your attention.

# Other responsibilities

Issue	Commentary
Going concern	<p data-bbox="563 368 2405 549">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 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p data-bbox="563 568 2201 596">Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul data-bbox="563 615 2405 925" style="list-style-type: none"><li data-bbox="563 615 2405 801">• 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</li><li data-bbox="563 819 2405 925">• 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 Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li></ul> <p data-bbox="563 992 723 1022">(continued)</p>

# Other responsibilities

Issue	Commentary
Going concern	<p data-bbox="563 368 2415 511">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 Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul data-bbox="563 532 2035 706" style="list-style-type: none"><li>• the nature of the Authority and the environment in which it operates</li><li>• the Authority's financial reporting framework</li><li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li><li>• management's going concern assessment.</li></ul> <p data-bbox="563 775 2405 839">However, as this year's audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul data-bbox="563 861 2313 941" style="list-style-type: none"><li>• a material uncertainty related to going concern has not been identified</li><li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li></ul>

# Other responsibilities

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement 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> <p>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with ‘delivering good governance in Local Government Framework 2016 Edition’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• 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,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters.</p>

# Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2024/25 audit of East Devon County Council in the audit report, as detailed in Appendix E, due to completion of the whole of government accounts work and receiving confirmation from the National Audit Office.</p>

# Audit adjustments

# 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

TBC

# 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.

Disclosure	Misclassification or change identified	Adjusted?
Officers' Remuneration	During our review of Note 17 – Officers' Remuneration, we identified that two positions (job titles) are disclosed in the note with no remuneration paid during the year.	✓
Officers' Remuneration	During our review of Note 17 – Officers' Remuneration, we identified that a Lieu of Notice and Settlement Payment totalling £23,153 was omitted from the remuneration disclosed for the Assistant Director – Housing, resulting in an understatement of gross pay. The correct amount should be £67,415.66, compared to the currently disclosed £44,262. We recommend that an update is made for the remuneration of the Assistant Director – Housing to reflect the correct gross pay of £67,415.66,	✓
Officers' Remuneration	Our review of the employees earning more than £50k banding remuneration note identified an error in the allocation of officers to the appropriate remuneration band. Management excluded an A Lieu of Notice payment and a Settlement Payment totalling £23,153 for the Assistant Director – Housing. As a result, the individual's gross remuneration was incorrectly assessed as being below £50,000 for banding purposes. The corrected total remuneration is £67,415.66, meaning the Assistant Director – Housing should be included within the £65k–£70k band.	✓
Contingent liabilities	The draft financial statements do not include a disclosure for the Virgin Media case.	✓
Investment property	The investment property is revalued at fair value and the disclosure needs to be in line with code 2.10 Fair value measurement. This disclosure is currently not included in the draft financial statements.	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓

# Audit adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 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	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Projected overstatement of the Council’s net defined benefit liability – see page 24 for further details.	Remeasurement of the net defined benefit liability (371)  IFRIC 14 adjustment 371	Remeasurement of the net defined benefit liability 371  IFRIC 14 adjustment (371)	Nil	Nil
Management appear to have applied depreciation on 31 December values for the remaining 3 months, which have created a material difference between the valuers report at the valuation date and 31 March 2025.	-	PPE 2,900 Depreciation (2,900)	Nil	Nil
Our audit testing of Investment Properties noted a difference between the value of investment property in the financial statements and the valuers report of £135k. This difference relates to the land element, which the Authority has included in Land and Buildings.	-	Investment Property 135 Other Land and Buildings (135)	Nil	Nil
Audit fees – we are currently working with Management to ensure that the correct level of audit fee is disclosed in the financial statements.	TBC	TBC	TBC	TBC
Overall impact of current year unadjusted misstatements	0	0	0	0

# Impact of unadjusted misstatements in the prior year

The prior year audit was subject to a backstopped disclaimed audit opinion and the audit work was not completed. Therefore there are no prior year unadjusted misstatements to consider.

# Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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
<div>●</div> <div>Low</div>	<p><b>Income completeness</b></p> <p>During our testing of bank receipts, we noted a sample pertaining to 2024/25 that was not accrued correctly as at 31 March 2025. The value of this error is £133k.</p> <p>We have also identified in our invoices raised testing, that one item has not been recorded in the correct period as the invoice spans two financial years. An accrual should have been made to remove the proportion of the income that relates to 2025/26.</p>	<p>We recommend that management undertake a review of income cut-off procedures to ensure that income is recorded in the correct financial year.</p> <p><b>Management response</b></p> <p>Agreed</p>
<div>●</div> <div>Low</div>	<p><b>Expenditure completeness</b></p> <p>During our testing of invoices received, we noted two samples that were pertaining for this financial year but has not been accrued for. This has resulted in an under statement of expenditure of £666k.</p> <p>We have also noted a third sample item whereby an accrual has not been made where the invoice crosses over a month.</p>	<p>We recommend that management undertake a review of expenditure cut-off procedures to ensure that expenditure is recorded in the correct financial year.</p> <p><b>Management response</b></p> <p>Agreed</p>

## Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<div>●</div> <div>Low</div>	<p>Cyber Security</p> <p>The council does not have a written cyber security policy in place. The council adopts their IT service organisation, Strata, cyber security policy.</p>	<p>We would therefore recommend that Management produce a cybersecurity policy which is independent of Strata.</p> <p><b>Management response</b></p> <p>Agreed</p>
<div>●</div> <div>Low</div>	<p>Cyber Security - AI</p> <p>Some of the council’s IT policies like AI Acceptable Use policy, BYOD policy, are dated June 2024 and states that they should be reviewed every four months. However, the policy had not been reviewed since it was written. Additionally, the council does not have their own written policy for password, training, data protection etc. They follow the policy adopted by their IT partner, Strata.</p>	<p>We would therefore recommend that Management undertake a review of IT policies to determine if any additional policies should be produced as well as ensuring that the review of these are timely and in accordance with the review policies.</p> <p><b>Management response</b></p> <p>We commit to review policies; this is underway with our Artificial Intelligence policy already under review.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<div>●</div> <div>Low</div>	<p><b>Timely Bank reconciliation</b></p> <p>During our audit work we noted that the bank reconciliations are not performed regularly. Bank reconciliation journals are prepared on a weekly basis to move cash between the nominal ledger codes, however a reconciliation such as comparing to bank statements and listing reconciling items is not prepared until the year end.</p>	<p>We would therefore recommend to ensure that the bank reconciliations are prepared and reviewed on a timely basis.</p> <p><b>Management response</b></p> <p>Agreed, new bank reconciliation process now in place for timely preparation and review. The new process is due to be reviewed by internal audit.</p>
<div>●</div> <div>Low</div>	<p><b>User access rights</b></p> <p>The system administrator access on e-Financials are given to individuals in the finance team who have the ability to assign roles but cannot add or remove users. Based on our assessment, these Super User Accounts are not of high risk to the integrity of the internal control system as they cannot change user access rights for themselves or others, however they do have the ability to assign roles to team members.</p>	<p>We would therefore recommend that Management undertake a review of the super user access for e-Financials to determine whether these are appropriate and the Council has adequate protection in place to prevent misuse of these roles.</p> <p><b>Management response</b></p> <p>Agreed</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<div>●</div> <div>Low</div>	<p><b>Capital expenditure</b></p> <p>As per the accounting policy, a de minimis threshold of £20,000 has been set for capital expenditure. Any costs below this amount should be charged to revenue. However, during our review of the Fixed Asset Register (FAR), we noted that transactions below £20,000 have been capitalised as PPE. This appears inconsistent with the council’s accounting policy.</p>	<p>We would therefore recommend Management ensure that a process is put in place to ensure that accounting policies are followed.</p> <p><b>Management response</b></p> <p>Agreed</p>
<div>●</div> <div>Low</div>	<p><b>Omission of bank account</b></p> <p>Upon checking the bank confirmations, we noted that there was a balance on one account of £4k which has not been included within the Council’s ledgers. This is due to a timing difference but hasn’t been recorded in the Council’s financial statements as at 31 March 2025.</p>	<p>We would therefore recommend that Management review all the bank accounts and ensure these are captured in the council’s ledgers in a timely manner.</p> <p><b>Management response</b></p> <p>Agreed</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Low</p>	<p><b>Accumulation of reconciling bank items</b></p> <p>During the audit we noted that outstanding bankings are not cleared down periodically and are accumulating in the nominal ledger codes. These codes therefore have balances over £100m and net off to the actual year end reconciling items.</p>	<p>We would recommend that nominal ledger codes are cleared down periodically as part of the bank reconciliation process.</p> <p><b>Management response</b></p> <p>Agreed</p>
<p>●</p> <p>Low</p>	<p><b>REFCUS</b></p> <p>During the audit we noted that S106 transactions were incorrectly classified as REFCUS. The value of this error is £50k.</p>	<p>We would therefore recommend that Management review the process for recording S106 transactions in the ledgers and financial statements to ensure that these are correctly captured.</p> <p><b>Management response</b></p> <p>TBC</p>
<p>●</p> <p>Low</p>	<p><b>IFRS 16 Implementation</b></p> <p>Management have been unable to provide sufficient evidence to support the review undertaken to determine that the Council does not have lease arrangements of non-trivial value other than vehicles or property which falls under IFRS16. In the absence of appropriate documentation, we were unable to verify the robustness of management's assessment process.</p>	<p>We recommend that Management should ensure that the process used to assess the completeness of hire arrangements and potential leases is formally documented and retained. This should include the procedures performed, data sources reviewed, key judgments applied, and conclusions reached.</p> <p><b>Management response</b></p> <p>Agreed</p>

## Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<div>●</div> <div>Low</div>	<p>Other Land and Buildings (OLB) revaluation</p> <p>As part of the valuation, the in-house valuer has used build cost rates and upon review we have determined that alternative build costs may be more appropriate. The difference across the sample from using the alternative build cost rates is £2.1m.</p>	<p>While we understand that management uses an internal expert for revaluation of assets, we would recommend that management also check and challenge the expert and review the valuation report to ensure that management is comfortable with the assumptions and final valuation.</p> <p><b>Management response</b></p> <p>Agreed</p>
<div>●</div> <div>Low</div>	<p>Other Land and Buildings (OLB) revaluation</p> <p>In our testing of various assumptions under OLB revaluation, we have identified that play areas are revaluated on DRC basis. The valuer has obtained this information from in-house engineers from within the Council, but no supporting information was provided. No evidence of how this valuation was made is therefore available to test. The total value of these assets is £925,000.</p>	<p>In absence of underlying calculations and supporting evidence, the audit team is unable to comment if these assets are valued in line with RICS guidance for a DRC valuation.</p> <p>Hence, we would recommend that management must ensure that sufficient and appropriate evidence is retained by the Council to support valuations.</p> <p><b>Management response</b></p> <p>Agreed</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<div><div>●</div><div>Low</div></div>	<p>Investment property reclassification of land</p> <p>Our audit testing noted a difference between the value of investment property in the financial statements and the valuers report of £135k. This difference relates to the land element, which the Authority has included in Land and Buildings. This is a reclassification error and the land should be shown along with the investment property.</p>	<p>We would recommend that management ensure land is shown under investment property in the financial statements.</p> <p><b>Management response</b></p> <p>Agreed</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<div>●</div> <div>Low</div>	<p><b>Reconciliation of Other Land and Buildings</b></p> <p>In performing the reconciliation of other land and buildings between the valuation report, fixed asset register and financial statements, the audit team noted that the valuation was performed as at 31 Dec 2024. As the valuation date of 31st December was 3 months before the year end date of 31st March, consideration was given by the valuer to any factors which would have led to a material difference between the values reported and those at 31st March. The valuer was of the view that there would not be any material impact on the figure reported between valuation date and 31 March 2025. However, the Council seems to have applied depreciation on 31 December values for the remaining 3 months, which has created a material difference between the valuers report at the valuation date and 31 March 2025. The value of depreciation applied is £2.9m and the net value of revalued assets as at 31 March 2025 is £1.9m less than the 31 December value. We would recommend that management review their assets revalued at the year end and ensure that the year end values reported are not materially different than the values reported by the experts, in case the date of valuation is different than the year end date.</p>	<p>We would recommend that management review their assets revalued at the year end and ensure that the year end values reported are not materially different than the values reported by the experts.</p> <p><b>Management response</b></p> <p>Agreed</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<div>●</div> <div>Low</div>	<p>Debtors and Creditors</p> <p>As part of our standard audit procedures, we requested a listing of debtors and creditors as at 31 March 2025. Management provided several iterations of these listings as the listings contained transactions rather than a listing of year end balances. When requested, Management should be able to provide a listing of who they owe and who owes the Council at the year end.</p>	<p>We would recommend that management reviews their year end procedures to ensure that the production of year end debtors and creditors listings are readily available for audit purposes.</p> <p>Management response</p> <p>TBC</p>
<div>●</div> <div>Low</div>	<p>Minimum Revenue Provision (MRP)</p> <p>Our review of MRP noted that the current balance appears to be low given the level of Capital Financing Required.</p>	<p>We would recommend that management reviews the MRP policy in 2025/26 and where the backstopped approach has been applied to ensure that a prudent approach is taken.</p> <p>Management response</p> <p>TBC</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<div>●</div> <div>Low</div>	<p><b>Members declarations of interest</b></p> <p>As part of audit procedures we requested signed copies of the members declarations of interest. Management were however, unable to provide a signed declaration of interest for all of its members. This exposes the Council to the risk that a related party is not disclosed in the financial statements.</p>	<p>We would recommend that management reviews the procedures for obtaining signed declarations of interest and that adequate processes are in place to follow up any missing declarations.</p> <p><b>Management response</b></p> <p>TBC</p>
<div>●</div> <div>Low</div>	<p><b>Assets not revalued.</b></p> <p>In accordance with the CIPFA code, not all assets are revalued every financial year. In 2024/25, £17m of assets were not revalued. We challenged Management to provide an assessment that these unvalued assets were not materially misstated as at 31 March 2025. Management were unable to provide such an assessment.</p>	<p>We would recommend that management prepare an assessment of whether unvalued assets are materially misstated as at the year end.</p> <p><b>Management response</b></p> <p>TBC</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Low</p>	<p><b>Beacons</b></p> <p>The CIPFA Code requires all Beacons to be formally revalued at least once every five years and further guidance prescribes different way to ensure that this requirement is being met. Based on our discussion with Management we note that the Council established beacons of similar properties with similar characteristics that are representative, where one property can be identified as a beacon and movements applied to the residual population. We note that the similar characteristics include size, location and type. Our testing identified some properties where the location differed significantly between assets within the same beacon.</p>	<p>We would recommend that management reviews it beacons and the properties matched against these and can demonstrate, with supporting evidence, that these are appropriate and fully complies with the requirements of the CIPFA Code going forward.</p> <p><b>Management response</b></p> <p>TBC</p>
<p>●</p> <p>High</p>	<p><b>Council Dwellings – accounting treatment</b></p> <p>The Council have recorded non-enhancing capital expenditure as additions and to ensure that the year end valuation agrees with the valuers report, an adjustment has been made, with the total being taken to the revaluation reserve. However, in accordance with the CIPFA Code, the correct accounting treatment should have been that Management evaluate what items should be de-recognised with this amount being taken to the Capital Adjustment Account and any difference compared to the valuers report and an adjustment made to the revaluation reserve at that point. Additionally, as the Council values each of the properties according to their address, the additions, de-recognition and revaluation should also be conducted on an asset by asset basis, rather than in totality.</p>	<p>We would recommend that management:</p> <ol style="list-style-type: none"> <li>1. Reviews its accounting treatment of Council Dwellings to ensure that the appropriate nominal ledger codes are being used.</li> <li>2. Undertakes an exercise to allocate the correct additions, de-recognition and revaluation against each asset.</li> </ol> <p><b>Management response</b></p> <p>TBC</p>

**Key**

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan - continued

Assessment	Issue and risk	Recommendations
<div><div>●</div><div>Low</div></div>	<p><b>Car Park Valuation</b></p> <p>While testing the car park valuations, we noted that there was a difference between the average car park income as per the portal and the average value provided to the valuer. Providing incorrect information to the valuer means that the year end valuation produced will be incorrect.</p>	<p>We would recommend that management performs a documented check on the information provided to the valuers so that assurance is gained that the correct figures are provided to the valuer.</p> <p><b>Management response</b></p> <p>TBC</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in three recommendations being reported in our 2023/24 Audit Findings Report. An update is set out below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><u>Journals</u></p> <p>The Council does not have a process in place for the review of all the journal postings. There is a risk that inappropriate or incorrect journals could be posted as a result of a lack of review. We recommend that management considers implementing a review process to identify any incorrect journal posting.</p>	<p>No progress has been made yet in this area and therefore we will keep the recommendation open.</p>
✓	<p><u>Council Dwellings</u></p> <p>The audit team noted a difference of nearly £8m between the valuation report for Council Dwellings and the Fixed asset register. This £8m variance is related to the major repairs during the year in the council dwellings which should have been covered as part of the valuation. However, management has added the major repairs to the valuation figure and plan to reverse this in the following year. This is an incorrect accounting treatment as per the CIPFA code. We recommend that management provide the details of major repairs to the valuer such that this can be incorporated in the valuation report.</p>	<p>Management have ensured that there are no differences between the valuers report and the value included within the financial statements as at 31 March 2025.</p> <p>We have challenged Management to understand the accounting treatment of the £8m included within the opening balances and the £10m of current year major repairs. See page 35 for details of work performed for 2024/25.</p>

Assessment

✓ Action completed

X Not yet addressed

# Follow up of prior year recommendations - continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p><u>Bank Reconciliation</u></p> <p>The audit team noticed 4 cash control accounts as part of bank reconciliation. The balance on these control accounts were £12.6m, -£107m, -£2.4m and £94.9m. These control accounts were netted off to reach at a net balance of £1.8m which was then included as part of the Council’s bank reconciliation process. The audit team identified long standing bank reconciling items in these cash control accounts, some dating back to 2005. Due to not clearing down the balance of these control accounts, there was a difference in reconciliation of £124k. Upon enquiry, these control accounts appear not to be included within the Councils procedures for reconciling and clearing down as part of bank reconciliation procedures. We recommend that management reconcile these cash control accounts on a timely and regular basis.</p>	<p>Our audit work has noted that there has not been regular bank reconciliations completed during the financial year. The Treasury Accountant confirmed that a weekly process is undertaken to review the movement of cash and journals are prepared to move these within the ledgers, but no formal reconciliation such as reviewing balances and agreeing to bank statements is undertaken. As a result of this, the nominal ledger codes where reconciling items are accumulated are not cleared down. See recommendations on pages 52 to 54 for further details.</p>

**Assessment**

✓ Action completed

X Not yet addressed

# **Value for Money arrangements**

# Value for Money arrangements

## Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30<sup>th</sup> November each year from 2024-25. Our draft AAR was reported to you on 18 September 2025 Audit and Governance Committee. An updated version of this report will be presented alongside this report to the January 2026 meeting of the Audit and Governance Committee.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



### Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



### Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have identified a significant weakness in arrangements around Financial Sustainability in the Housing Revenue Account.

# **Independence considerations**

# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, there are no independence matters that we would like to report to you.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. No such breaches have been identified.

- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

# Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or group that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Authority, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

# Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to December 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to East Devon District Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

<b>Audit fees</b>	<b>Indicative fee at planning £</b>	<b>Final fees £</b>
Scale fee	164,498	164,498
Initial estimate of IFRS 16 work	TBC	TBC
Additional fee for audit work	-	TBC
Fee per the Audit Plan	TBC	TBC

\*Estimate

# Fees and non-audit services

## Audit-related non-audit services

Service	2022/23 £	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	-	35,640	32,455*	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 in comparison to the total fee for the audit of £164,498 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 Pooling of Housing Capital Receipts claim	10,000**	10,000**	10,000**	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 in comparison to the total fee for the audit of £164,498 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.
Total	10,000	45,640	42,455		

- \*This is the core fee for 2024/25, the variable element won't be known until the audit is complete.
- \*\*This is an indicative fee for the work.

# Fees and non-audit services

**Total audit and non-audit fee**

(Audit fee)	TBC	(Non-audit fee)	TBC
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The fees reconcile to the financial statements as follows:

- TBC





This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

# Appendices

# A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

# A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		
Non-compliance with laws and regulations		
Unadjusted misstatements and material disclosure omissions		
Expected modifications to the auditor's report, or emphasis of matter		

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

**Respective responsibilities**

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

**Distribution of this Audit Findings report**

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

# B. Our team and communications

## Grant Thornton core team

**Peter Barber**  
Engagement Lead

- Key contact for senior management and Audit Committee
- Overall quality assurance

**Gail Turner-Radcliffe**  
Audit Manager

- Audit planning
- Resource management
- Performance management reporting

**Shashank Agrawal**  
Audit Senior

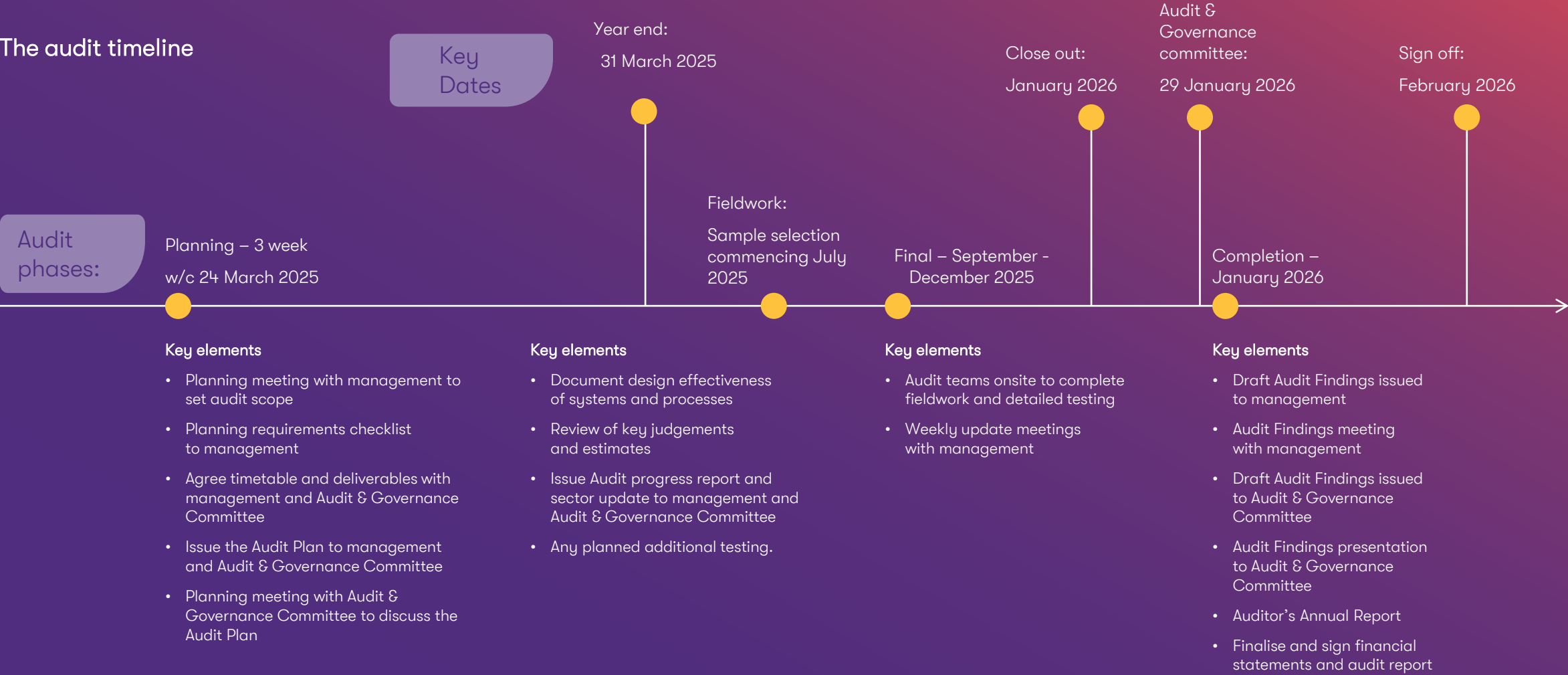
- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"><li>• The Audit Plan</li><li>• The Audit Findings</li><li>• Auditor’s Annual Report</li><li>• Progress and Sector Update Reports</li></ul>	<ul style="list-style-type: none"><li>• Audit planning meetings</li><li>• Audit clearance meetings</li><li>• Communication of issues log</li></ul>	<ul style="list-style-type: none"><li>• Technical updates</li></ul>
Informal communications		<ul style="list-style-type: none"><li>• Communication of audit issues as they arise</li></ul>	<ul style="list-style-type: none"><li>• Notification of up-coming issues</li></ul>

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same was as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

# Logistics

## The audit timeline



# C. Status of audit testing 2024/25

Primary Statement							
Balance Sheet							
Financial Statement Line Item	2023 / 2024 audit status	Status	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Property Plant and Equipment (PPE) – Opening balance		N/A					<ul style="list-style-type: none"> <li>No audit procedures will be undertaken over opening balances due to the backstopped audit opinion as at 31 March 2024.</li> </ul>
PPE – Additions & REFCUS			Additions 9 REFCUS 6	Additions 8 REFCUS 6	Additions - REFCUS -	Additions - REFCUS -	<ul style="list-style-type: none"> <li>Additions – Testing is complete</li> <li>REFCUS samples – Testing is complete</li> <li>We have raised one recommendation on additions – see page 53</li> </ul>
PPE – Revaluation and impairment (Other land & building)			24	24	-	-	<ul style="list-style-type: none"> <li>The audit team has raised 5 recommendation with respect to testing of assumptions. – see pages 50 to 61.</li> <li>The testing is complete.</li> </ul>
[Significant risk]							
Closing balance – PPE (AUC)		Open	4	-	-	4	<ul style="list-style-type: none"> <li>Our work is on-going in this area.</li> </ul>

## Assessment

● Red We were unable to fully test the balance/transaction.

● Amber We reviewed the balances and where applicable tested on a sample of transactions, however, we identified a number of issues/exceptions to be able to conclude.

● Green We were able to test the balances and conclude for 24/25 (the backstop prevents us giving assurance over the opening balances) that we did not identify any significant issues

# C. Status of audit testing 2024/25

Primary Statement							
Balance Sheet							
Financial Statement Line Item	2023 / 2024 audit status	2024 / 2025 audit status	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
PPE – Revaluation and impairment (Council dwellings)  [Significant risk]			5	-	-	-	<ul style="list-style-type: none"> <li>The testing is complete.</li> <li>We have raised 2 recommendation – see page 60.</li> </ul>
Investment Property valuations [Significant risk]			1	1	-	-	<ul style="list-style-type: none"> <li>Testing complete</li> <li>We have raised 1 recommendation – see page 56.</li> </ul>
Short- & Long- term debtors  (Including Completeness testing)		Open	Debtors 15  Completeness 25	Debtors - 0  Completeness 25	Debtors - 0  Completeness 0	Debtors - 15  Completeness 0	<ul style="list-style-type: none"> <li>Testing is on-going</li> </ul> Completeness – <ul style="list-style-type: none"> <li>Invoice Paid – Completed</li> <li>Bank Receipts – completed</li> <li>One recommendation has been raised – see page 58.</li> </ul>
Short- & Long- term Creditors  (Including Completeness testing)		Open	Creditors - 12  Completeness 25	Creditors - 10  Completeness 25	Creditors - 0  Completeness 0	Creditors - 2  Completeness 0	<ul style="list-style-type: none"> <li>We have cleared 10 samples</li> <li>We have got queries on 2 samples</li> </ul> Completeness – <ul style="list-style-type: none"> <li>Invoice received - completed</li> <li>Bank Paid - Completed</li> <li>One recommendation have been raised – see page 58.</li> </ul>

# C. Status of audit testing 2024/25

Primary Statement							
Balance Sheet							
Financial Statement Line Item	2023 / 2024 audit status	2024 / 2025 audit status	Total sample size (#)	Samples with appropriate evidence (#)	Failed sample s (#)	Inconclusiv e samples (#)	Auditor Comments
Short- & Long- term investments			N/A tested in full	-	-	-	<ul style="list-style-type: none"><li>The testing is complete</li></ul>
Cash & Cash Equivalents			13	13	-	-	<ul style="list-style-type: none"><li>Testing of the Bank reconciling items is complete.</li><li>Three recommendations have been raised – see pages 52 to 54.</li></ul>
Short- & Long- term Borrowing			N/A tested in full	-	-	-	<ul style="list-style-type: none"><li>The testing is complete</li></ul>
Pensions Liability [Significant risk]			N/a	-	-	-	<ul style="list-style-type: none"><li>The testing is complete</li><li>We have identified one unadjusted misstatement – see page 48 for further details.</li></ul>
Usable & Unusable Reserves			N/A				<ul style="list-style-type: none"><li>The testing is complete</li></ul>
Provisions			N/A				<ul style="list-style-type: none"><li>The testing is complete</li></ul>

# C. Status of audit testing 2024/25

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item (Expenditure)	2023 / 2024 audit status	2024 / 2025 audit status	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Employee benefits expenses			10	10	0	0	• The testing is complete
Other expenses			38 – Other expense  5 – Non payroll expenditure	-	-	-	• The testing is complete
Depreciation, amortisation and impairment			5	3	0	2	• The testing is complete
Housing benefit			12	0	0	0	• The testing is complete.
Grants received in advance		Open	6	0	0	6	• The testing is on-going.
Audit fees		Open	-	-	-	-	• The testing is on-going. • We have identified a misstatement – see page 48.
Internal recharge income and expenditure			-	-	-	-	• The testing is complete.

# C. Status of audit testing 2024/25

Primary Statement							
Comprehensive Income and Expenditure Statement							
Financial Statement Line Item (Income)	2023 / 2024 audit status	2024 / 2025 audit status	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Fees, charges and other service income			33	33	0	0	<ul style="list-style-type: none"><li>The testing is complete</li></ul>
Income from council tax and non-domestic rates (Collection fund)			20	-	-	-	<ul style="list-style-type: none"><li>Income from council tax and non-domestic rates – Testing complete</li><li>Precepts and Levies – Testing complete</li><li>Council tax and non-domestic rates reliefs – Testing complete</li></ul>
Capital Grant income		Open	15	-	-	15	<ul style="list-style-type: none"><li>We have got further enquiries on all 15 samples</li></ul>
Government grants and contributions			24	24	-	-	<ul style="list-style-type: none"><li>The testing is complete</li></ul>
Other areas of testing							
Journals testing [Significant risk]			61	61	-	-	<ul style="list-style-type: none"><li>We have identified one prior period misstatement that has been corrected in 2024/25 – see pages 56</li></ul>
Joint operation – Strata Service Solutions Limited		Open	N/A	-	-	-	<ul style="list-style-type: none"><li>Our work is on-going in this area.</li></ul>
Litigation and claims		Open	N/A	-	-	-	<ul style="list-style-type: none"><li>The testing is on-going</li></ul>

# C. Status of audit testing 2024/25

Primary Statement							
Other areas of testing							
Financial Statement Line Item (Income)	2023 / 2024 audit status	2024 / 2025 audit status	Total sample size (#)	Samples with appropriate evidence (#)	Failed samples (#)	Inconclusive samples (#)	Auditor Comments
Expenditure and funding analysis			N/A	-	-	-	<ul style="list-style-type: none"> <li>The testing is complete.</li> </ul>
Remuneration report			N/A	-	-	-	<ul style="list-style-type: none"> <li>Exit package testing – Completed.</li> <li>Higher paid staff and Senior management remuneration testing – testing is complete.</li> <li>We have identified 3 disclosure errors that has been corrected by the council – see page 47.</li> </ul>
Financial instrument		Open	N/A	-	-	-	<ul style="list-style-type: none"> <li>The testing is under progress</li> <li>We have got a query with the council</li> </ul>
IFRS 16		Open	N/A	-	-	-	<ul style="list-style-type: none"> <li>The testing is under progress</li> </ul>
Capital expenditure and financing		Open	N/A	-	-	-	<ul style="list-style-type: none"> <li>Our work is on-going in this area.</li> </ul>
Related party		Open	N/A	-	-	-	<ul style="list-style-type: none"> <li>Our work is on-going in this area.</li> </ul>
Capital commitment		Open	N/A	-	-	-	<ul style="list-style-type: none"> <li>Our work is on-going in this area.</li> </ul>
Statement of cash flows		Open	N/A	-	-	-	<ul style="list-style-type: none"> <li>The testing is under progress</li> </ul>
Collection fund account and disclosures		Open	N/A	-	-	-	<ul style="list-style-type: none"> <li>The testing is under progress</li> </ul>
HRA disclosures		Open	N/A	-	-	-	<ul style="list-style-type: none"> <li>The testing is under progress</li> </ul>
AGS and Narrative report		Open	N/A	-	-	-	<ul style="list-style-type: none"> <li>We have completed our review of the AGS</li> <li>Our work on the narrative report is on-going</li> </ul>

# D. Management letter of representation

Dear Grant Thornton UK LLP

**East Devon District Council**  
**Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of East Devon District Council ("the Authority") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

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

## Financial Statements

We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of Property, Plant and Equipment. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

Except as disclosed in the financial statements:

- there are no unrecorded liabilities, actual or contingent;
- none of the assets of the Authority has been assigned, pledged or mortgaged; and
- there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

## D. Management letter of representation - continued

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

We have considered the unadjusted misstatements included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as in the case of the £2.9m for depreciation charged in the final three months of the final year as we are unable to reconcile the financial systems. The other unadjusted misstatements were immaterial to the results of the Authority and its financial position at the year-ended 31 March 2025.

Actual or possible litigation and claims, including those in respect of equal pay claims, have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

The prior period adjustments disclosed in note 33 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

- a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
- b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

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

We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

### Information Provided

We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters, except for the information outlined in paragraph xxv below;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

# D. Management letter of representation - continued

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

On 30 September 2024 Parliament approved the Accounts and Audit (Amendment) Regulations 2024. These regulations set a publication date for financial statements in respect of 2024-25 of 27 February 2026. The new National Audit Office Code of Audit Practice, which was published on 14 November 2024, also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'backstop date'. It has not been possible to provide you with all the information required for you to complete your audit for the year ending 31 March 2025 by the backstop date in relation to property, plant and equipment and reserves.

## Annual Governance Statement

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

## Narrative Report

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

## Approval

The approval of this letter of representation was minuted by the Authority's Audit and Governance Committee at its meeting on 29 January 2026.

Yours faithfully

# E. Audit opinion

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

### Report on the audit of the financial statements

#### Disclaimer of opinion

We were engaged to audit the financial statements of East Devon District Council (the 'Authority') for the year ended 31 March 2025, 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 Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including material accounting policy information. 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 2024-25.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the opening balances, in year movements net pension liability and Property, Plant and Equipment (PPE), closing PPE and closing reserves described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

On 26 February 2025, we issued a disclaimer of opinion on the Authority's financial statements for the year ended 31 March 2024. We were not able to obtain sufficient appropriate audit evidence by 28 February 2025, the previous backstop date, that the financial statements were free from material misstatement. We were therefore unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority Comprehensive Income and Expenditure Statement for the year ended 31 March 2025 for the same reason.

As a result of the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's opening balances reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability and property, plant and equipment. This has also resulted in uncertainty over the closing balance of property, plant and equipment of £418.438m as at 31 March 2025. Similarly, we have not been able to obtain assurance over the Authority's closing reserves balance of £366.497m as at 31 March 2025, also due to the uncertainty over their opening amount.

In addition, we were unable to confirm the value of the other land and buildings (subset of PPE) as there are differences between the valuers report, fixed asset register and financial statements due to depreciation being incorrectly charged for the final three months of the financial year resulting in a understatement of the PPE and a corresponding overstatement of expenditure. The value of the depreciation in the final three months of the year is £2.9m however further adjustments have been made to the figures for which Management are unable to provide explanations.

We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority's to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

# E. Audit opinion - continued

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, 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.

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

The Director for Finance and Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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

## Responsibilities of the Authority and the Director for Finance and Section 151 Officer

As explained more fully in the Statement of Responsibilities, 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 Director for Finance and Section 151 Officer. The Director for Finance and Section 151 Officer 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 2024-25, for being satisfied that they give a true and fair view, and for such internal control as the Director for Finance and Section 151 Officer 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 Director for Finance and Section 151 Officer 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

# E. Audit opinion - continued

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

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

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.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

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

### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in respect of the above matter except on 18 September 2025 we identified a significant weakness in how the Authority plans and manages its resources to ensure it can continue to deliver its services. In 2023/24 the Authority's unplanned overspends on repairs and maintenance involved commitments that had to be honoured in 2024/25 and as a result HRA reserves and balances have fallen further during the year and HRA borrowings have increased. There are steps already underway to rebuild financial sustainability, but it will take time for these to embed into normal business practice and for full financial turnaround to be achieved. In the meantime, a new Stock Condition Report became available shortly after the end of 2024/25 and needs to be taken into account in future planning.

We recommended that the Authority takes steps to rebuild sustainability in the HRA, reflecting the outcome of the recent Stock Condition Report and should be embedded into business practice. This should include planning into the medium term to ensure deemed minimum balances are reinstated. The Authority estimates that it will take a number of years to recover the HRA financial position which should include reserves and balances back at prudent levels and in year expenditure not exceeding income.

## 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.

# E. Audit opinion - continued

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in the Authority's 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 issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

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

We cannot formally conclude the audit and issue an audit certificate for East Devon District Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

## 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 85 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.



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