

Audit Completion Report Torridge District Council

For the year ended 31 March 2024



Date: 12 September 2024

PRIVATE & CONFIDENTIAL

Members of the Audit Committee
Torridge District Council
Riverbank House
Bideford
EX39 2QG

Dear Sirs and Madams

Torridge District Council – Audit Completion Report

We are pleased to attach our Audit Completion Report. This report summarises our audit conclusions, highlights the key findings arising from our work and details a number of points that we would like to discuss further with you.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the finance team for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style.

BISHOP FLEMING LLP

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1. Executive summary

Status of audit

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (the Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council and group at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Our audit is largely complete, however, is subject to the resolution of certain outstanding queries outlined in section 2. Subject to the satisfactory finalisation of these points, we anticipate issuing an unmodified audit report.

Key audit issues

Within our Audit Plan which was presented to the Audit & Governance Committee in April 2024, we outlined a number of risks that we considered to be of particular significance to the audit. Our plan also detailed our planned approach for addressing each of these risks.

The specific risks highlighted were as follows:

- Management override of controls;
- Fraud in revenue recognition;
- Fraud in expenditure recognition;
- Valuation of land and buildings;
- Valuation of investment properties; and
- Valuation of the pension fund net liability.

Our audit work has been satisfactorily completed on each of the above areas and is further detailed in section 2 of this report.

Audit Adjustments

During the course of our work, adjustments were identified and, on agreement of management, were adjusted in the financial statements.

Further adjustments were proposed but not made, as those charged with governance do not consider them to be material to the financial statements. We accept this explanation.

Full details of the adjustments identified are included in section 6 to this report.

Management Letter Points and Internal Control Matters

A number of control points were identified during the course of our work and these are further detailed in section 7 to this report. Of the matters noted, none are considered to have an important effect on your system of internal control.

Value for Money

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The National Audit Office's Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work has not identified any significant weaknesses; see section 8 for more details. The results of the Value for Money work are reported separately in our Auditor's Annual Report.

Independence

The FRC Ethical Standard and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

2. Introduction

Responsibilities of the audited body

The audited body is responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that it confirms that our understanding of all matters referred to in this report are appropriate, having regard to its knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of Torridge District Council.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

Materiality

In carrying out our audit work we have considered whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in context of the financial statements as a whole.

In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements.

	Basis of materiality	Amount
Torridge District Council Group	2% of gross expenditure	£823k
Torridge District Council	2% of gross expenditure	£806k

The level of materiality is unchanged since our Audit Plan.

Anticipated audit report

Subject to the satisfactory resolution of the outstanding items, and to receiving all outstanding information set out below, we anticipate issuing an unmodified audit report on the financial statements of Torridge District Council for the year ended 31 March 2024.

Representation Letter

The representation letter is attached at Appendix 1.

Update on our planned approach

Our audit work was carried out in accordance with our Audit Plan in response to the perceived audit risks. No matters were identified which required us to change our approach and no additional risks were identified.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Final manager and partner review of audit workings papers
- Final review and audit work over revised, restated financial statements
- Receipt of assurance requests relating to pension fund valuations
- Audit work on North Devon Crematorium and Active Torridge balances held in Torridge District Council accounts
- Audit work on Business Rate reliefs & appeals provision
- Consideration of post balance sheet events prior to signing
- Approval of the financial statements
- Receipt of the signed management representation letter






Confidentiality

This document is strictly confidential and although it has been made available to those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the Local Audit and Accountability Act 2014 (the Act) and from the Code of Audit Practice. The contents of this report should not be disclosed to third parties without our prior written consent.




3. Audit and accounts process

The preparation of the financial statements is a vital process for the management of the Council and one which should be performed on a timely basis. We met with senior officers as part of our planning work to discuss how we would work together to make the audit process effective.

We discussed key accounting issues early, so they could be considered before the audit commenced.

Readiness for audit	
Quality of financial statements	
Accuracy of financial records	
Quality of working papers	
Availability of Staff	

Key (Impact on audit approach)

No impact on audit	
Some impact on audit	
Significant impact on audit	

We invested significant time into the audit running as smoothly as possible. In addition to carrying out a review of the predecessor auditor's working papers, we also met with Grant Thornton to discuss key issues and ensure we had a clear understanding of the prior year audit. At the start of the audit, we held planning meetings with key management personnel and a meeting with the finance team to set expectations for the audit. During the final audit, we had daily calls with the finance team, and regular meetings with the Section 151 Officer. In addition to this, the team had an on-site presence during both the interim and final audit visits.

As a result of the investment made by both parties, the audit has generally proceeded very smoothly, although some areas have taken longer to audit than we had expected. These included testing of Housing Benefit Payments; Council Tax and Business Rates reliefs; and work carried out on the valuation of land and buildings.

We are keen to continually improve our service and the effectiveness of the process and, therefore, will hold a debrief discussion with management to identify areas where this might be possible.

Readiness for audit

We were provided with a copy of the draft financial statements in line with the timetable agreed before the start of the audit and as outlined in our audit plan.

Information requested during the onsite fieldwork was generally provided promptly to our staff. This made the core audit work progress relatively smoothly, although there were delays in some areas. These included some difficulty obtaining

reports and information from the Revenues and Benefits team and obtaining information and evidence from the Council's external valuer, which we recognise is not something the finance team can fully control.

Quality of financial statements

We have not identified any significant omissions from the draft financial statements. However, our work has found several material errors that management have agreed to amend, as outlined further below and in section 6. We also found several casting errors on the draft statement of accounts and differences between the comparative figures and the certified previous year accounts that required correction.

Accuracy of financial records

The majority of the underlying financial records were accurate, agreed to the information provided in the audit file and were easy to understand. We identified errors affecting the accounting for land and buildings arising from incorrect application of the depreciation charge that resulted in a material misstatement of land and buildings valuation in the current and comparative periods. We also identified errors in the underlying calculations provided to the Council by the external valuer that resulted in material misstatements on the statement of accounts.

Quality of working papers

While the quality of the working papers and supporting evidence provided was generally good, there were some areas where audit evidence provided could have been stronger. For example, several working papers included snips from other reports, rather than having the data/report embedded. This made our reconciliation and audit process more difficult than it might have been.

Availability of Staff

Key members of the finance team made themselves available to us throughout the audit where possible. We were kept informed of any instances when staff were not available.

4. Audit risks

Management override of controls

Significant Risk

We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed.

Applies to the Group and Council

Work done and conclusion

To address this risk, we have:

- reviewed the reasonableness of accounting estimates and critical judgements made by management;
- tested journals with a material impact on the results for the year; and
- considered a sample of other journals with key risk attributes.

In testing journals, we used data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors.

We have not identified any material errors from our work carried out.

Fraud in revenue recognition

Significant Risk

There is also a presumption under auditing standards that the risk of fraud in revenue recognition is considered to be a significant risk area.

Applies just to Group revenue

Work done and conclusion

Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Council, we have concluded that the risk of fraud arising from revenue recognition can be rebutted for Torridge District Council because:

- There is little incentive to manipulate revenue recognition;
- Opportunities to manipulate revenue recognition are very limited; and
- The culture and ethical framework of local authorities, including Torridge District Council, mean that all forms of fraud are seen as unacceptable.

We did not rebut the risk of fraud in revenue at the Group level as we are not able to draw the same conclusions for the trading income in Active Torridge Ltd, where they would be a greater ability to manipulate revenue recognition due to the nature of the transactions. We have therefore concluded that there is a significant risk of fraud in revenue recognition for the Group financial statements in relation to the revenue recognised in the Active Torridge Ltd financial statements.

To address this risk we:

- Analysed the nature and amounts of income received by Active Torridge and assessed the risk of fraud in relation to each income stream;
- Performed an analytic to identify any significant variances in income received through the year that might indicate the present of material fraud or error; and
- Carried out sample-based testing of income received by Active Torridge during the year.

We did not identify any material errors from our work carried out.

Fraud in expenditure recognition

Significant Risk

Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom sets out that the risk of fraud related to expenditure is also relevant.

Applies to Group and Council

Work done and conclusion

At the planning stage, we considered whether we have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

We concluded that this was not a significant risk for Torridge District Council because:

- expenditure is well controlled, and the Council has a strong control environment; and
- the Council has clear and transparent reporting of its financial plans and financial position.

Valuation of land and buildings

Significant Risk

There is a risk over the valuation of land and buildings due to the high degree of estimation uncertainty, and judgements involved in build valuations.

Applies to Group and Council

Work done and conclusion

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert;
- written to the valuer to confirm the basis on which the valuation was carried out;
- confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- reviewed the appropriateness of assumptions used in the valuation of land and buildings. For assets not formally revalued in the year we assessed how management has satisfied itself that these assets are not materially different from the current value at the year-end;
- reviewed accuracy and completeness of information provided to the valuer, such as floor areas;
- tested a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and
- form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.

We identified through the course of our work that the depreciation of assets subject to revaluation was processed incorrectly. This resulted in material amendments to the draft statement of accounts which have been made by management.

In addition, we identified material errors within the calculation of some valuations provided to the Council by the external valuer that were included in the draft accounts.

Further detail of these issues can be found in sections 5 and 6 below.

Significant Risk

There is a risk over the valuation of investment properties due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements.

Applies to Group and Council

Work done and conclusion

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed the instructions provided to the valuer and the valuer's skills and expertise, in order to determine if we can rely on the management expert;
- written to the valuer to confirm the basis on which the valuation was carried out;
- confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- reviewed the appropriateness of assumptions used in the valuation of investment properties;
- reviewed accuracy and completeness of information provided to the valuer, such as floor areas;
- tested a sample of revaluations made during the year to ensure that they have been input correctly into the Council's asset register; and
- form our own expectations regarding the movement in property values and comparing this to the valuations reflected in the Council's financial statements, following up valuation movements that appear unusual.

We have not identified any material errors from our work carried out.

Significant Risk

There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions.

Work done and conclusion

To address this risk, we have:

- documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls;
- reviewed the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert;
- considered the accuracy and completeness of the information provided to the actuary;
- ensured that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary;
- carried out procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- sought to obtain assurances from the auditor of Devon Pension Fund in respect of the controls around 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.

At time of reporting assurance from the auditor of the pension fund have not yet been provided so our work on this area remains incomplete.

We have not identified any material errors from our work carried out.

5. Other audit and financial reporting matters

Valuation of the Pension Fund

The macro-economic environment has had a significant effect on the actuarial valuation of the Council's share of Local Government Pension Scheme, with deficits reported by the Council's actuary through their IAS 19 report reducing significantly in each of the last two years.

Across the Local Government Sector accounting surpluses have become more prevalent. IFRIC 14 provides guidance from the International Financial Reporting Interpretations Committee on the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liability needs to be recognised in respect of onerous funding commitments. The sector-wide approach to applying IFRIC 14 has developed over the last year as IAS 19 surpluses are becoming more common. This has resulted in some actuaries revising their approach when producing 'asset ceiling' calculations that adopt the principles set out in IFRIC 14.

On production of the asset ceiling report for the valuation as at 31 March 2024 the Council's Actuary, Barnett Waddingham, determined that an additional liability of £2,075k should be recognised to reflect an onerous funding commitment that results from the Council's commitment to make secondary contributions over the funding horizon period set out at the Triennial Valuation. This has the effect of increasing the closing deficit/liability position of the pension fund to £7,876k as set out in the financial statements.

Because the approach taken by the actuary was revised in their valuation as at 31 March 2024 when compared with the approach adopted in the previous year, the Council sought their confirmation that an onerous funding commitment was not applicable as at 31 March 2023. The actuary provided this confirmation and we are content that there is no material misstatement in the prior period balance.

Application of depreciation charge on revalued assets

We identified that the Council had applied a full depreciation charge against assets subject to revaluation as at 31 March 2024. Where valuations are carried out as at the balance sheet date, this is the value we would expect them to be held at as at the reporting date. Applying a depreciation charge to the revalued balance resulted in a material understatement of the net book value of land and buildings in 2023/24.

We found that the depreciation charge had been applied in the same way in previous accounting periods with a similar, material, impact on the net book values reported in the statement of accounts for 2021/22 and 2022/23. A prior period restatement has been made within the 2023/24 statement of accounts in respect of this.

6. Audit Adjustments

In accordance with the requirements of International Standards on Auditing, we must communicate all adjusted and unadjusted items identified during our audit work, other than those which we believe to be clearly insignificant.

Adjusted items

All adjusted misstatements are set out in detail below along with the impact on the key statements for the year ended 31 March 2024:

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Correction of PPE valuation movement	-	439	439	-
Overstatement of valuation of land and buildings resulting from calculation errors	1,654	-	-	1,654
Total	1,654	439	439	1,654
	Cashflow statement			
	£'000			
Purchase of short-term investment		5,000		
Proceeds of short-term investments		(5,000)		
Net impact		0		

The below table sets out the adjusted misstatements identified with the impact on the key statements for the prior periods for which the comparative accounts have been restated:

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Correction of PPE valuation movement	-	1,058	1,058	-
Total	-	1,058	1,058	-

Misclassifications and adjustments to disclosures

The table below provides details of any misclassification and disclosure changes identified during the audit.

Misclassification/ Disclosure change	Audit comment	Adjusted?
Disclosure of financial instruments that are/are not financial instruments (note 27)	Disclosure error within note 27. Debtors that are financial instruments was increased by £156k and Debtors that are not financial instruments was decreased by £156k.	✓
Minor disclosure changes	We identified several typographical and presentational issues and instances where the accounts did not cast correctly or reflect the signed comparative financial statements.	✓

Unadjusted items

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below. (These are also set out in the Letter of Representation.)

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Depreciation expense resulting from timing of application of the charge (factual):	-	47	47	-
Understatement of debtor balances (extrapolated)	-	49	49	-
Overstatement of land and buildings value (extrapolated)	404	-	-	404
Total	404	96	96	404

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year which had not been made within the final set of 2022/23 financial statements.

Detail	Comprehensive Income and Expenditure Statement (£'000)	Balance sheet (£'000)	Reason for not adjusting
The auditors of the Council's subsidiary accounts identified one error above the trivial threshold set. This was in relation to the quarter 4 VAT partial exemption calculation being incorrectly calculated. The impact of this was to overstate the VAT liability by £0.035m. This was corrected in the subsidiary accounts but has not been adjusted in the group financial statements.	(35)	35	Not material

7. Management letter points and internal control systems

The Council's management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Those Charged with Governance that it has done so.

In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit; none of which are considered significant.

KEY:



Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.



Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.





Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.

Current Year Issues

Review of information provided by external valuer	
<div data-bbox="134 1115 226 1173" data-label="Image"> </div> <p>We identified material errors within the calculations prepared by the District Valuer used to support valuations of land and buildings held on the Statement of Financial Position. These resulted in material adjustments as set out in Section 6.</p> <p>The errors were of a manual nature resulting from incorrect figures being used and formulae errors in spreadsheet calculations.</p>	<div data-bbox="756 1189 954 1218" data-label="Section-Header"> <p><u>Recommendation</u></p> </div> <p>Management should engage with the valuer to understand the nature of the errors and put measures in place to prevent similar issues arising in future.</p> <p>Management should also ensure that they review and challenge the work of the valuer to identify where errors of this nature do occur.</p> <div data-bbox="756 1458 1016 1487" data-label="Section-Header"> <p><u>Management comment</u></p> </div> <p>Agreed</p>

Valuation of assets	
<div data-bbox="134 1691 226 1749" data-label="Image"> </div> <p>We identified that the depreciation charge was applied to assets that had been subject to revaluation as at 31 March 2024. The depreciation charge should have been applied to the asset prior to revaluation so that the net book value of the asset at 31 March 2024 reflected the valuation. This resulted in a material adjustment to the statement of accounts.</p>	<div data-bbox="756 1765 954 1794" data-label="Section-Header"> <p><u>Recommendation</u></p> </div> <p>Management should ensure that assets valued as at the year-end are held at the valuation amount and not subsequently depreciated.</p> <div data-bbox="756 1912 1016 1942" data-label="Section-Header"> <p><u>Management comment</u></p> </div> <p>Agreed</p>

Casting and comparative errors in draft accounts	
	
<p>We identified several casting errors and instances where the prior year figures did not agree to the certified prior year statement of accounts. These suggest that management review of the statement of accounts could be improved.</p>	<p><u>Recommendation</u></p> <p>Management should submit the draft statement of accounts to a robust review process prior to publishing and submission for audit.</p> <p><u>Management comment</u></p> <p>We will endeavour to remove all rounding errors in future</p>

Valuations of Heritage Assets	
	
<p>We identified that some heritage assets held by the Council have not been subject to a valuation assessment for several year, with some valuation certificates dating back to 2004.</p>	<p><u>Recommendation</u></p> <p>Whilst the CIPFA Code of Practice is not prescriptive about valuations for heritage assets needing to be carried out over defined period, management should consider the need to update their valuation of heritage assets to ensure they are held at the correct values and that insurance cover is adequate.</p> <p><u>Management comment</u></p> <p>Agreed</p>

Prior Year Issues

There were no prior year issues reported by the Council's previous auditor.

8. Other matters

Other information

We are required to give an opinion on whether the other information published with the audited financial statements (for example, the Narrative Statement and Annual Governance Statement) is materially inconsistent with the financial statement or our knowledge as obtained during the audit.

We have nothing to report in this respect.

Reporting by exception

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council 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 on these matters.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Going concern

Our work has not identified a material uncertainty related to going concern. We are satisfied that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Value for money arrangements

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow-up work as appropriate to consider whether there are any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have not identified any significant weaknesses and the results of the Value for Money work are reported separately in our Auditor's Annual Report.

Whole of Government accounts work

Alongside our work on the financial statements, we also review and report to the National Audit Office on the Council's Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have received group instructions from the National Audit Office in respect of our work on the Council's WGA submission and complete this work alongside conclusion of our audit work as set out above.

Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We intend to issue our audit certificate alongside the auditor's opinion on the accounts.

Audit fees

Our final fee for the 2023/24 audit is set out below:

	Fee proposed at planning stage (£)	Final fee (subject to approval by PSAA) (£)
PSAA scale fee 2023/24	130,000	130,000
Fee variation for additional procedures in relation to revisions to ISA 315	TBC	11,995
Fee variation in relation to additional procedures incurred for audit of pension disclosures to ensure compliance with IFRIC 14	TBC	1,140
Fee variation in relation to audit of the Group accounts	TBC	9,500
Fee variation in relation to additional audit work resulting from errors in application of depreciation charge on revalued assets	TBC	1,500
Fee variation in relation to additional audit work resulting from errors in calculations of valuation of land and buildings	TBC	3,700
Fee variation in relation to delays and additional time required to resolve queries on work relating to revenues and benefits, including access to the system and obtaining appropriate reports and evidence	TBC	2,950
Fee variation in relation to casting three sets of accounts, due to casting issues identified	TBC	500
Total (excluding VAT)	TBC	161,285

We can confirm that we have not undertaken any non-audit work at the Council during the year.

Appendices



1. Letter of representation

Bishop Fleming LLP
Salt Quay House
4 North East Quay
Sutton Harbour
Plymouth
Devon
PL4 0BN

[Date]

Dear Sirs

Torridge District Council

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the Torridge District Council (the Council) financial statements (and its subsidiary undertakings) for the year ended 31 March 2024. These enquiries have included inspection of supporting documentation where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

1. General

We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) and applicable law and for being satisfied that they give a true and fair view and for making accurate representations to you.

All the transactions undertaken by the group and the Council have been properly reflected and recorded in the accounting records.

All the accounting records have been made available to you for the purpose of your audit of the group and the Council. We have provided you with unrestricted access to all appropriate persons within the Council, and with all other records and related information requested, including minutes of all Council and Committee meetings.

The financial statements are free of material misstatements, including omissions.

The effects of uncorrected misstatements (as set out in the appendix to this letter) are immaterial both individually and in total.

2. Internal control and fraud

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe that we have appropriately fulfilled these responsibilities. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

We have disclosed to you all instances of known or suspected fraud affecting the group and the Council involving management, employees who have a significant role in internal control or others where fraud could have a material effect on the financial statements.

We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the group and the Council's financial statements communicated by current or former employees, analysts, regulators or others.

3. Assets and liabilities

The group and the Council has satisfactory title to all assets and there are no liens or encumbrances on the group and the Council's assets, except for those that are disclosed in the notes to the financial statements.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include PPE and investment property valuations, pension liability and NNDR provisions

All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

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

4. Accounting estimates

The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

5. Legal claims

We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

6. Laws and regulations

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 the financial statements.

We confirm that all correspondence with our Regulators has been made available to you.

7. Related parties

Related party relationships and transactions comply with the Council's financial regulations, relevant requirements of the Code and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with regulatory, legislative and accounting standards requirements.

8. Subsequent events

All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

9. Going concern

We believe that the group and the Council's financial statements should be prepared on a going concern basis on the grounds that the financial reporting framework applicable to local government bodies means that the anticipated continued provision of entity's services in the public sector is normally sufficient evidence of going concern. We have not identified any material uncertainties related to going concern.

10. Annual Governance Statement

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

11. Narrative Report

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

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We have taken all the appropriate steps in order to make ourselves aware of any relevant audit/ other information and to establish that you are aware of that information.

Yours faithfully

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Signed on behalf of the Audit & Governance Committee of Torridge District Council

[Date]

2. Required communications with the Audit & Governance Committee

Under the auditing standards, there are certain communications that we must provide to the Audit & Governance Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report Discussions at audit & governance committees
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at audit & governance committees
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report



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