



The Audit Findings for Mid Devon District Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2013

24 September 2013

Steve Malyn

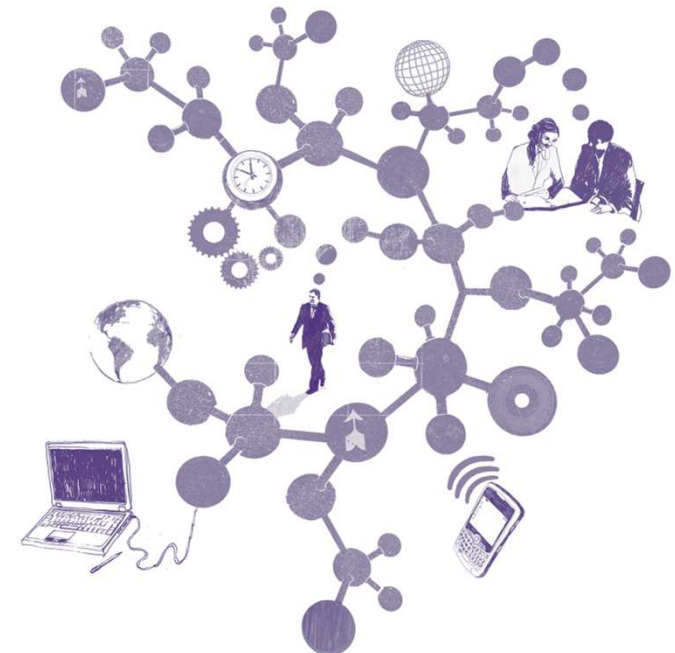
Director
T 0117 30 57862
M 07880 456136
E Steve.G.Malyn@uk.gt.com

Steve Johnson

Audit Manager
M 07880 456134
E Steve.P.Johnson@uk.gt.com

Sarah Martin

Executive
T 0117 30 57861
E Sarah.J.Martin@uk.gt.com



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 primarily 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 any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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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Section 1: Executive summary

01. Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Mid Devon District Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 12 March 2013.

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

- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion and
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We did not identify any adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report).

The key messages arising from our audit of the Committee's financial statements are:

- they continue to be prepared to a good standard; and
- finance staff continue to respond quickly to queries and requests for supporting information

Further details are set out in section 2 of this report.

Value for money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for you..

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention

Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance.

We have made a number of recommendations relating to Internal Control, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Head of Finance and the finance team.

Acknowledgment

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

Grant Thornton UK LLP
24 September 2013

Section 2: *Audit findings*

01. Executive summary

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 13 March 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 13 March 2013.

Audit opinion

We anticipate that we will provide the Council with an unqualified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • Review of revenue recognition policies • Review and testing of revenue recognition policies • Review and testing of journal controls and entries • Performance of substantive testing on material revenue streams 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • Discussion on accounting estimates, judgements and decisions made by management • Testing of controls over journals • Review of accounting estimates, judgments and decisions made by management in the accounts • Final testing of journal entries • Review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction Review of payments before and after year end to ensure that they are allocated to the correct year and correctly recognised Substantively test a sample of operating expenses 	Our audit work has not identified any evidence that operating expenses have been recorded in the wrong period..
Employee remuneration	Employee remuneration expenses not correct	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction Substantively test a sample of remuneration transactions 	Our audit work has not identified any evidence that employee remuneration is not correct.
Employee remuneration	Employee remuneration expenses will be incorrectly calculated	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction Substantively test a sample of remuneration transactions 	Our audit work has not identified any evidence that calculations are not correct.
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction Substantively test a sample of welfare claims Review the reconciliation of the housing benefit system to the general ledger 	Our audit work has not identified any evidence that welfare benefits is improperly computed.
Housing Rent Revenue Account	Housing revenue transactions not recorded.	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction Substantive analytical review of housing rent revenue Review of control accounts and creation of tenancy 	Our audit work has not identified any evidence that housing rents are not recorded.




Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.



Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Housing Rent Revenue Account	Recorded debtor not valid	<ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction Substantive analytical review of housing rent revenue Review of control accounts and creation of tenancy 	Our audit work has not identified any evidence that Housing rents are not valid.
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> Work will be undertaken as part of year end procedures Review the system documentation and walkthrough of a transaction Substantive test of a sample of transactions contained within the asset register 	<p>Our audit work has not identified any evidence that Property, plant and equipment expenditure is not valid.</p> <p>We did note that Assets under construction includes a number of assets below the Council's de-minimus for capitalisation and items considered REFUCS. These were one off items rather than components of a scheme. The Council should write these off to Revenue in line with its policy (R6).</p>
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> Work will be undertaken as part of year end procedures Review the system documentation and walkthrough of a transaction Substantively test the accounting treatment for the valuation to ensure it has been correctly applied 	Our audit work has not identified any evidence that revaluations are not correct.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Activity is accounted for in the year it takes place, not simply when cash payments are made or received.	We have no issues over the: <ul style="list-style-type: none"> • Appropriateness of policy under relevant accounting framework • Adequacy of disclosure of accounting policy 	 green
Judgements and estimates	Management have disclosed their accounting policy, and disclosed key estimates and judgements around: <ul style="list-style-type: none"> – asset valuations; – Depreciation; – Bad debt provisions; and – pension fund valuations and settlements. 	We have no issues over the: <ul style="list-style-type: none"> • Appropriateness of policies under relevant accounting framework • Extent of judgements involved • Adequacy of disclosure of accounting policies 	 green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies did not identify any areas where the Council has not disclosed its policy appropriately.	 green

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure



Internal controls

The purpose of an audit is to express an opinion on the financial statements.



Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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.

We reported some weaknesses as part of our Audit Plan as previously communicated to you on 13 March 2013. We do not intend to repeat these here, but have identified the following additional control weaknesses to bring to your attention.

These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendations
1		In compiling its Related parties note, the Council circulated members to identify any potential reportable items. This was the only action undertaken. As a minimum Management should also review the Registers of members interests to ensure all items have been identified.	R1 To ensure that all potential related parties have been identified, management should also review the Registers of members interests to ensure all items have been identified.
2		IT: There are weaknesses in the configuration of access controls for the EARNIE Payroll system: <ul style="list-style-type: none"> • no minimum password length is set • system security does not enforce use of complex passwords • no expiry date is set 	R2. It is recommended that strong password policies are enforced in the new Payroll system in line with the network security protocols and should be: <ul style="list-style-type: none"> • 8 character • complex • renewed (at least) every 60 days.

Internal controls

	Assessment	Issue and risk	Recommendations
3		<p>IT: Password lockout controls are set that 4 failed attempts in a 30 minute period would lead to account lockout for a period of 30 minutes. This is considered inadequate protection as this would be unlikely to identify or prevent repeated failed access attempts.</p> <p>Furthermore, there is currently no monitoring of audit logs covering login failures to alert to repeated attempts at gaining access to network accounts.</p>	<p>R3. It is recommended that management reviews the policy over Intruder Lockout to enforce a permanent lockout after a predetermined number of failed access attempts, alternatively, the Audit Policy covering login failures should be monitored to ensure that repeated attempts at gaining access to network accounts are denied or reported.</p>
4		<p>Journal transfers: Senior finance staff are able to post journals. To maintain an independent overview of financial reporting, senior staff should not initiate entries in the financial statements.</p>	<p>R4. Ability to post journals by senior finance staff should be reviewed for appropriateness.</p>

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	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
2.	Matters in relation to laws and regulations	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	A standard letter of representation has been requested from the Council.
4.	Disclosures	Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	We are not aware of any related party transactions which have not been disclosed.
6.	Going concern	Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

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Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements in three areas:

- Financial governance;
- Financial planning; and
- Financial control

Our overall conclusion is that: the Council has adequate arrangements in place to achieve financial resilience.

Whilst the Council has marginally overspent in the last two years, it has shown that it can achieve its savings targets.

The Council has a medium term financial plan, which recognises the need for substantial future savings. Whilst the Council has not yet identified fully the savings required, there is a clear focus on doing so.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. We have concluded that the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

We confirm below our final fees charged for the audit.

Fees

	£
Council audit	62,700
Grant certification	12,750
Total	75,450

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
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	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	To ensure that all potential related parties have been identified, management should also review the Registers of members interests to ensure all items have been identified.	Low	An enhanced process will be put in place for the 2013/14 accounts closedown process.	Head of Finance 31 March 2014
2	It is recommended that strong password policies are enforced in the Payroll system in line with the network security protocols and should be: <ul style="list-style-type: none"> • 8 character • complex • renewed (at least) every 60 days. 	Medium	The new Payroll systems has been implemented and this has password controls that include: <ul style="list-style-type: none"> • 8 characters • are complex • and require changing every 30 days. 	n/a
3	It is recommended that management reviews the policy over Intruder Lockout to enforce a permanent lockout after a predetermined number of failed access attempts, alternatively, the Audit Policy covering login failures should be monitored to ensure that repeated attempts at gaining access to network accounts are denied or reported.	Medium	The council has already amended its protocols that require the user to reset their password after four failed attempts.	n/a

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
4	Ability to post journals by senior finance staff should be reviewed for appropriateness.	Low	Agreed. A report will be prepared and reviewed that shows the journals input by senior finance staff.	Head of Finance 31 March 2013
5	We did note that Assets under construction includes a number of assets below the Council's de-minimus for capitalisation and items considered REFCUS. These were one off items rather than components of a scheme. The Council should write these off to Revenue in line with its policy (R6).	Low	The projects are still in progress. The appropriate accounting treatment will be agreed with the auditors before the assets are brought into operational use.	Head of Finance 31 March 2013

As part of our audit plan issued to the audit committee on 13 March 2013, we made an number of recommendations, agreed with management. These are included as Appendix D.

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Mid Devon DISTRICT COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Mid Devon District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. 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 2012/13.

This report is made solely to the members of Mid Devon District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the financial position of Mid Devon District Council as at 31 March 2013 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:
in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources***Respective responsibilities of the Authority and the auditor***

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, *Mid Devon District Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Mid Devon District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Steve Malyn
Appointed Auditor
for and on behalf of Grant Thornton UK LLP
Bristol
24 September 2013

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 13 March 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	None		N	None
Cost of services – employee remuneration	Employee remuneration	Other	Employee remuneration accruals understated	N	None
Cost of services – employee remuneration	Employee remuneration	Other	Employee remuneration will be incorrectly calculated	N	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	N	None
Cost of services – Housing revenue	HRA	Other	Housing revenue transactions not recorded	N	None
Cost of services – Housing revenue	HRA	Other	Recorded debtors not valid	N	None
Cost of services – other revenues (fees & charges)	Other revenues	None		N	None
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None		N	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Precepts and Levies	Council Tax	None		N	
Pension Interest cost	Employee remuneration	None		N	
Interest & investment income	Investments	None		N	
Return on Pension assets	Employee remuneration	None		N	
Impairment of investments	Investments	None		N	
Income from council tax	Council Tax	None		N	
NNDR Distribution	NNDR	None		N	
Revenue support grant & other Government grants	Grant Income	None		N	
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		N	

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		N	
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		N	
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		N	
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid	N	
Property, Plant & Equipment	Property, Plant & Equipment	Other	Revaluation measurements not correct	N	
Heritage assets & Investment property	Property, Plant & Equipment	None		N	
Investments (long & short term)	Investments	None		N	
Debtors (long & short term)	Revenue	None		N	
Inventories	Inventories	None		N	
Cash & cash Equivalents	Bank & Cash	None		N	

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Borrowing (long & short term)	Debt	None		N	
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	N	
Provisions (long & short term)	Provision	None		N	
Pension liability	Employee remuneration	None		N	
Reserves	Equity	None		N	

Appendix D: Internal Control findings reported in the Audit plan

Agreed action plan

In this section we present our findings in respect of internal control identified at the planning stage of the audit.

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	All journals over a pre-set limit should be reviewed.	M	Disagree. The Head of Finance considers that there is an adequate audit trail in place, that real controls were in place for year end and that the journals did not involve payments to third parties.	n/a
2	Bank reconciliations should be completed promptly and reviewed by senior finance staff.	H	Accepted. The bank reconciliation will be up to date before preparation of the Financial Statements.	30 April 2013
3	Controls to ensure segregation of duties should be establish within the payroll system	H	Agreed. The new integrated payroll/HR system is currently being implemented	1 April 2013
4	All business plans should include risk relating to the service.	L	Agreed, All new business plans will include consideration of the risks to that business sector.	Ongoing
5	Significant business risks should be reported to members quarterly in line with the councils Risk Management Strategy.	M	Accepted. Quarterly reporting will be implemented for the next round of Council Committees.	Ongoing

DRAFT



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