

For the year ended 31 March 2025



Date: 1 December 2025

Members of the Audit Committee
Mid Devon District Council
Phoenix House
Phoenix Lane
Tiverton
EX16 6PP

Dear Sirs and Madams

Mid Devon 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 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

Bishop Fleming Audit Limited

Contents

1. Executive summary	2
2. Introduction	4
3. Accounts and audit process.....	6
4. Audit risks.....	8
5. Audit Adjustments.....	12
6. Management letter points and internal control systems.....	14
7. Other matters.....	21

Appendices

1. Letter of representation
2. Required communications with the Audit Committee

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 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 2024/25; 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 Committee in March 2025, 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 significant risks highlighted were as follows:

- Management override of controls;
- Valuation of land and buildings;
- Valuation of council dwellings 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 4 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 55 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 6 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 2025. The Code 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 is currently in progress; see section 7 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 Mid Devon 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
Mid Devon District Council	2% of gross expenditure	£1,309k

The level of materiality in our Audit Plan was based on the prior year audited financial statements. Therefore, we have updated materiality to reflect the actual figures reported in the 2024/25 draft statement of accounts.

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 Mid Devon District Council for the year ended 31 March 2025.

Letter of Representation

The draft letter of representation 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 senior review of working papers and the accounts

We will also need to complete the following tasks as part of our usual completion procedures:

- Consideration of any post balance sheet events prior to opinion being issued
- Final review of the financial statements
- Confirmation of the approval of the financial statements by the Council
- 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. The contents of this report should not be disclosed to third parties without our prior written consent.

3. Accounts and audit 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.

	2023/24	2024/25
Readiness for audit		
Quality of financial statements		
Accuracy of financial records		
Quality of working papers - General		
Quality of working papers – Property, plant and equipment		
Availability of Staff		

Key (Impact on audit approach)

None or limited impact 

Some impact 

Significant impact 

We invested significant time into the audit running as smoothly as possible. Daily calls were arranged for the audit team to discuss progress with the finance team. Weekly calls were also held that included senior members of both teams to discuss progress and issues arising. The team had an on-site presence during fieldwork.

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, such as the discussions over the HRA Refund Provision.

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. Most notable of these were in respect of evidence in respect of our work on property, plant and equipment. This was both from the Council's external valuer, which we recognise is not something that the Council can fully control.

Quality of financial statements

The statement of accounts produced were of a good standard with significant variances and changes clearly explained to users of the financial statements. We have not identified any significant omissions from the draft financial statements.

The finalisation of the financial statements has not yet occurred to the ongoing items as set out in section 2.

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.

Quality of working papers

The quality of the working papers and supporting evidence provided by the finance team was generally good.

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

Significant 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.	Work done and conclusion To address this risk, we have: <ul style="list-style-type: none">• reviewed the reasonableness of accounting estimates and critical judgements made by management;• tested material journals processed at the year-end; and• tested 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.

Significant Risk

There is a risk over the valuation of these assets 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.

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
- formed 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 issues from our work carried out to date.

We identified a deficiency within the valuation basis applied to the council dwellings, that has resulted in a misstatement of £287k, which is above our trivial threshold. See sections 5 and 6. Following discussion with management, it has been agreed for this to be adjusted.

Valuation of the pension fund net liability

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
- obtained 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.

Our findings showed the assumptions used are consistent with our expectations and those used by other actuaries at 31 March 2025. Before consideration of the impact of an asset ceiling, the pension valuation has moved from a net deficit of £8m to a net surplus position of £6.1m.

The key driver of that change was the increase in the discount rate used by the actuaries, which results in a decrease in the net present value of your share of the scheme liabilities.

Key assumptions	2023/24	2024/25
Discount rate	4.90%	5.80%
CPI / pension increase assumption	2.95%	2.90%
Salary increases	3.95%	3.90%

Under IFRS, additional guidance is provided in IFRIC 14 on the extent to which a defined benefit pension asset should be recognised. The actuary has produced an asset ceiling report that demonstrates that by following the guidance in IFRIC 14 none of this asset should be recognised and a liability of £9m is recognised instead. This adjustment effectively allows for ongoing commitments to contributions to the pension scheme into the future, over and above the expected service charge.

A further £0.562m liability (2023/24: £0.648m) is recognised in relation to the unfunded obligation, resulting in a net liability recognised of £9.6m (2023/24: £10.2m).

We have not identified any material errors from our work carried out. Due to findings within the audit of the pension fund, there have been above trivial misstatements within the valuation of the pension fund liability. These are below materiality and therefore the accounts have not been adjusted.

As part of our planning, we rebutted the risks of fraud in revenue recognition (required under the ISAs) and fraud in expenditure recognition (required under the Financial Reporting Council's Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom).

Other risks:

Implementation of IFRS 16 Leases

Other risk

2024/25 will be the first year in which local government bodies are required to implement the provisions of IFRS 16 leases. There are transitional arrangements in place for the 'cumulative catch-up' approach mandated by CIPFA in the 2024/25 Code of Practice which will require an adjustment to the opening balances as well as supporting disclosures in the accounts. The value of the right of use assets and lease liabilities arising will depend on the nature and value of the underlying leases as well as assumptions adopted by the Council for the incremental borrowing rate.

From discussions with officers the risk of material misstatement at Mid Devon District Council is expected to be minimal based on the value of the estimate and its sensitivity to changes in assumptions. Therefore we do not consider this to be a significant risk, but as this is the first year of implementation, we have included this as an 'other risk' in our Audit Plan.

Work done and conclusion

To address this risk, we have:

- Documented our understanding of the processes and controls put in place by management for identifying lease contracts, including those not covered by the transitional arrangements, and evaluate the design of the controls;
- Reviewed the appropriateness of assumptions used in calculating the estimate;
- Reviewed the completeness and accuracy of the data gathering exercise;
- Confirmed the appropriateness of application of exemptions for existing contracts such as short term and low value leases;
- Reviewed the required transitional disclosures and the application of the adjustment to the opening balances; and,
- Tested a sample of leases for accuracy in calculating the right of use asset and lease liabilities.

We have concluded that the Council's implementation of IFRS 16 has been thorough, however the basis for calculation differs to the prescribed approach set out in the CIPFA Code of Practice. The error arising is above trivial at £292k. Following discussions with management this has not been adjusted.

5. 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 2025:

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Understatement of HRA property valuations arising from variances between the independent valuation reports and the straight-line valuation approach adopted.		287	287	
Reclassification of Tiverton Work hub capital expenditure from REFCUS to fixed asset additions		291	291	
Total	-	578	578	-

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?
Note 22 - Property, Plant & Equipment (1)	The PPE note currently omits an 'adjustment in respect of the implementation of IFRS 16' line to bring in the right-of-use assets for the leases. The value of right of use assets is not clear within note 22.	✓
Note 22 - Property, Plant & Equipment (2)	PPE additions included £493k on negative adjustments relating to assets under construction where the projects were discontinued. The disclosed amounts have been updated to reflect the gross position with an additional line added for the amounts written out.	✓
Note 14 – External audit costs	The disclosure within the note should be reviewed so that fees for the statutory audit and for other services are disclosed separately. The level of disclosure in the draft note is more that is required by the Code.	✓
General	We identified a small number of minor presentational and typographical errors that management have corrected.	✓

Unadjusted items

The table below provides details of adjustments identified during the 2024/25 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 (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
Mid Devon District Council's share of the net understatement of pension fund assets reported by the auditor of Devon Pension Fund.			248	248
Mid Devon District Council's share of the discrepancy in pension asset valuation between the actuary's report and the net asset statement of the pension fund, as identified by the auditor of Devon Pension Fund.			267	267
Correction of IFRS 16 lease calculation to account for the annual unwinding of the discount applied.	292			292
Total	292	-	515	807

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 2023/24 financial statements. We do not consider these to impact on the 2024/25 audit.

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Mid Devon District Council's share of the net understatement of pension fund assets reported by the auditor of Devon Pension Fund.			234	234
Total	-	-	234	234

6. 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 Audit Committee as '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

HRA Valuation Approach	
	
<p>The external valuer revalued some of the HRA beacons in the year as part of the scheduled revaluation programme. However, these valuations were not applied to those assets, instead all HRA properties have been revalued based on a 2% or 5% reduction depending on building type.</p> <p>This has resulted in an understatement of HRA property values.</p>	<p><u>Recommendation</u></p> <p>Management should revalue all HRA assets using the most accurate information available. Where beacons have been revalued in the year these values are what should be used in the financial statements.</p> <p><u>Management comment</u></p> <p>All properties are based on a 5-year rolling programme, with those scheduled for that year covered off through beacon reviews, and the remainder are updated based on indices advised by the District Valuer (DV). An error occurred where the DV included the revalued beacons in their indexation exercise and used these values in their HRA valuation report. This has not occurred previously but was not detected by the Council. This will form part of the check and challenge in future years.</p>


Valuation process and property data	
	
<p>Our testing of PPE valuations identified that data held by the Council for some of its assets, such as the current gross internal area (GIA) of the leisure centres, did not agree with the data being used by the external valuer (District Valuer).</p> <p>The GIA data being used by the external valuer had been rolled forward from previous valuations and could not be supported. Alternative GIA evidence from the rating valuation exercise was ultimately provided by the external valuer that resolved the issues.</p>	<p><u>Recommendation</u></p> <p>To improve the Council's arrangements for ensuring accurate supporting information is held for asset valuations, management should ensure that:</p> <ul style="list-style-type: none"> • Records it holds for its assets are kept up to date and that a record is kept of when there are changes to assets, such as updated gross internal area (GIA) calculations. • Instructions to the external valuer set out clearly what they require from the valuer; • Information sent to the valuer is reviewed before it is submitted; and • Valuation information received from the valuer should be subject to an evidenced review to ensure that it is in line with the Council's expectations, with any issues being followed up with the valuer. <p><u>Management comment</u></p> <p>The council are confident that its records are up to date. We will ensure that key data is provided to the valuer along with clear requirements. The data received from third parties is sense checked and challenged where necessary.</p>


Employee contracts	
	
<p>Our testing of starters and leavers identified that 2 out of 10 starters tested did not have a contract that had been signed by both parties.</p>	<p><u>Recommendation</u></p> <p>The Council should ensure that all employee contracts have been signed by both parties. This documentation should be retained by the Council.</p> <p><u>Management comment</u></p> <p>Further checks will be included to ensure all employee have signed contract held centrally on the system.</p>


Document retention	
 <p>During our testing, there were instances where documentation could not be provided to evidence transactions included within the financial statements.</p> <p>These were most commonly grant and REFCUS related, where departments outside of finance has not retained the documentation.</p>	<p><u>Recommendation</u></p> <p>Supporting documentation should be retained for all financial information for at least 6 years following the end of the relevant accounting period, in line with standard practices.</p> <p><u>Management comment</u></p> <p>Services are regularly requested to ensure all grant documentation is provided to finance. Through the monitoring process, where new direct grants are received by services, documentation is requested. This has recently been strengthened by additional communication to all officers setting out the requirements around grant documentation.</p>
eFinancials Access	
 <p>During our walkthrough of eFinancials, we identified that 3 individuals have access to eFinancials who are no longer employed by the Council.</p> <p>Whilst we understand that employee's laptops are collected before they leave the building on their last day, their IT access should also be revoked.</p>	<p><u>Recommendation</u></p> <p>eFinancials and other sensitive system access should be revoked upon an employee leaving the Council or changing job roles. Access should only be given to those who require access to perform their roles.</p> <p><u>Management comment</u></p> <p>The leavers had had their roles removed on eFinancials, however they each still had a licence assigned. The role controls access and so their logins could not be used to gain access, but for completeness they should have had their licences removed too.</p>
Deviation from the Accruals Basis	
 <p>During our review of expenditure, we identified that prepayments were not always posted.</p> <p>This has been discussed with management and we understand that prepayments and accruals are not posted unless the invoice relates to a one-off purchase. Where there is an expectation that further invoices will be received in future years, there is no adherence to the accruals basis.</p> <p>This will result in misstatements of the income and expenditure during the first and final financial period that these costs relate.</p>	<p><u>Recommendation</u></p> <p>In line with accounting policy 5.3, and as required by the CIPFA Code, the Council should adopt the accruals basis for all transactions.</p> <p><u>Management comment</u></p> <p>The process ensures that regular payments are equalised across years, for example 4 quarterly, or 12 monthly instalments are included to avoid peaks and troughs in expenditure.</p>

Misallocation of Council Dwellings	
	
<p>We have identified that 2 of the 20 Council Dwellings sampled had archetypes different to the information held on the fixed asset register.</p> <p>The Orchard system has the correct details for these assets and the formula rent has therefore been charged correctly. However, it is possible that the properties are included in an inappropriate beacon and have therefore been valued incorrectly.</p>	<p><u>Recommendation</u></p> <p>A reconciliation of the Orchard system and the fixed asset register should be performed, with properties being reallocated to the most appropriate beacon.</p> <p><u>Management comment</u></p> <p>An annual reconciliation will form part of the year end process.</p>

Critical judgments	
	
<p>Critical judgements in applying accounting policies should be where the Council has decided between different options where this had a material impact on the financial statements. We do not consider that the items disclosed in note 2 are critical judgements.</p>	<p><u>Recommendation</u></p> <p>The Council should review their critical judgements note for 2025/26 and ensure that it only includes judgements that have had a material impact on the accounts</p> <p><u>Management comment</u></p> <p>The note has evolved over time in conjunction with the previous auditor's requirements. This will be reviewed for 2025/26</p>

Assumptions and estimation uncertainty	
	
<p>The following are currently disclosed within note 4 of the financial statements but are not material assumptions and therefore do not have to be disclosed: NDR rates appeals provision; arrears; accruals; impairments; and loans.</p>	<p><u>Recommendation</u></p> <p>The Council should review their disclosure of assumption about the future and estimation uncertainty note for 2025/26 and ensure that it only includes areas where the impact could be material the accounts</p> <p><u>Management comment</u></p> <p>The note has evolved over time in conjunction with the previous auditor's requirements. This will be reviewed for 2025/26</p>



Officer emoluments note	
	
<p>Note 12 – Officers' Emoluments shows the number of employees with remuneration over £50,000 in rising bandings of £5,000 and includes the Council's senior officers. The CIPFA Code sets out at paragraph 3.4.5.1 that this note should exclude senior officers, that are then separately disclosed.</p>	<p><u>Recommendation</u></p> <p>The Council should review its disclosure of officers' emoluments for 2025/26 to ensure that senior officers are excluded from the banded disclosure note in line with the CIPFA Code guidance.</p> <p><u>Management comment</u></p> <p>These will be removed from 2025/26</p>

Expenditure and income analysed by nature	
	
<p>The Fees, Charges and other service income line within this disclosure includes revenue grants. We consider that the disclosure could be enhanced to show the nature of the income streams, disclosing revenue, and capital, grants and contributions separately from fees, charges and other service income.</p>	<p><u>Recommendation</u></p> <p>The Council should review the disclosures within this note for 2025/26 to disclose revenue and capital grants and contribution separately in order to enhance the disclosure of revenue streams by nature.</p> <p><u>Management comment</u></p> <p>This separation will be included from 2025/26</p>


Prior Year Issues – Unresolved

None

Prior Year Issues – Resolved

Formula rent error	
	
<p>Our testing of HRA rental income identified that the Council calculated the formula rent for all of its social housing tenancies incorrectly in 2002. The Council is planning to make refunds to tenants that have been overcharged going back 6 years, in line statutory limitations and legal advice received.</p> <p>The Council has made an estimate for the impact for a provision in the accounts of £1.545m. It now needs to undertake a detailed exercise to identify the impact of all impacted tenancies. This is a significant exercise due to the scale of the issue, with approximately 2,900 properties impacted, and the nature of how some of the historical data is held.</p>	<p><u>Recommendation</u></p> <p>The Council must ensure that it allocates sufficient resources and quality assurance processes to the exercise to refund tenants that have been overcharged. It must ensure that there is a clear audit trail to enable future auditor review.</p> <p><u>Management comment</u></p> <p>Officer working groups have been formed and continue to meet regularly to move forward the correct measures. Processes have already been embedded to prevent any reoccurrence of this error. There are also regular meetings being held with the regulator, the DWP and other parties in order to ensure all corrective measures and actions are embedded in due course</p> <p><u>2024/25 update</u></p> <p>The Council have rolled forward the provision made in 2023/24 and increased it to reflect the 2024/25 financial year, with the provision at 31 March 2025 being £1.777m. The number of properties used for the 2024/25 additional provision differed from those used in the original provision calculation by 84 properties. Although the Council were unable to provide an analysis of the 84 properties, and the reasons for exclusion from the calculation, we are satisfied that this does not have a material impact on the figures.</p> <p>We have evidenced that the formula rent has been corrected in 2024/25 financial year and the refund provision has been updated in the year to reflect the position as at the year-end.</p> <p>The Council have started to make repayments in 2025/26 to tenants as it progresses the rectification of this issue.</p>
Classification of council dwellings	
	
<p>The Council were unable to provide supporting evidence to support the beacon classification (number of bedrooms etc) for five HRA properties, meaning that we were unable to verify that they had been included in the correct beacon valuation group.</p>	<p><u>Recommendation</u></p> <p>The Council must ensure that it holds data in respect of its council dwellings to support that they are classified within the correct beacon for valuation purposes.</p> <p><u>Management comment</u></p> <p>The council holds a variety of data relating to each dwelling for various reasons, including tenancies, maintenance and valuations. These are cross checked and reconciled to ensure the data is</p>

	<p>accurate and consistent. Further evidence will be obtained for those five specific properties.</p> <p><u>2024/25 update</u></p> <p>The Council were able to provide all requested documentation in respect of the council dwellings sampled.</p>
--	--

Journal system controls	
	
<p>Grant Thornton reported 2022/23 that the Council do not have an inbuilt journals authorisation process in place. This means that users can post and authorise their own journals. A mitigating detective control exists wherein all journals above £25,000 posted in the month are reviewed by principal accountants in the subsequent month. Testing of this control identified that this control did not operate as designed and the retrospective review was not undertaken until September 2023, once the evidence was requested.</p>	<p><u>2022-23 recommendation</u></p> <p>That the Council ensures that retrospective controls operate as designed.</p> <p><u>2023-24 update</u></p> <p>Management have confirmed that the mitigating control of journals over £25,000 being reviewed monthly has not been operating due to staffing issues and prioritisation of other tasks. Management is relying on the budget monitoring process to identify any issues with journals that have been posted.</p> <p><u>2023-24 recommendation</u></p> <p>The Council must ensure that the retrospective control, reviewing journals over £25,000 is operating in line with its journal procedures.</p> <p><u>Management comment</u></p> <p>During 2023/24 the finance team suffered from significant sickness and vacancies in key senior positions, leading to limited resources being available for reviewing / approving journals. The process was undertaken in the first part of the year, while resource was available. The risk was considered and felt to be minimal, so was not completed in the second half of the year. Given the unqualified opinion, the assessment of that level of risk is verified. However, the process will be reapplied during 2024/25.</p> <p><u>2024/25 update</u></p> <p>We have confirmed that there are now retrospective reviews in place for all journals. This takes place monthly to identify any unexpected, unauthorised or erroneous journals.</p>

7. 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 2025. The Code 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 not yet completed the limited procedures required in the National Audit Office's group instructions in respect of our work on the Council's WGA submission. This will be done alongside issuing the audit opinion on the Council's accounts.

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 will be unable to issue our audit certificate alongside the auditor's opinion on the accounts until we have received confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

Audit fees

Our final fee for the 2024/25 audit is set out below:

	Fee proposed at planning stage (£)	Final fee (subject to approval by PSAA) (£)
PSAA scale fee 2024/25	163,452	163,452
Review of implementation of IFRS 16	TBC	7,522
Additional work on risk of VFM significant weakness	TBC	4,715
Total (excluding VAT)	TBC	175,689

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 Audit Limited
Salt Quay House
4 North East Quay
Plymouth
Devon
PL4 0BN

[Date]

Dear Sirs

Mid Devon District Council

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

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 Mid Devon District Council (the Council) financial statements for the year ended 31 March 2025. 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 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 2024/25 (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 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 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 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 Council's financial statements communicated by current or former employees, analysts, regulators or others.

3. Assets and liabilities

The Council has satisfactory title to all assets and there are no liens or encumbrances on 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 council dwelling 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 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 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

.....
Signed on behalf of the Audit Committee of Mid Devon District Council

[Date]

Appendix: Unadjusted items

The table below provides details of adjustments identified during the 2024/25 audit which have not been made within the final set of financial statements.

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Mid Devon District Council's share of the net understatement of pension fund assets reported by the auditor of Devon Pension Fund.			248	248
Mid Devon District Council's share of the discrepancy in pension asset valuation between the actuary's report and the net asset statement of the pension fund, as identified by the auditor of Devon Pension Fund.			267	267
Correction of IFRS 16 lease calculation to account for the annual unwinding of the discount applied.	292			292
Total	292	-	515	807

2. Required communications with the Audit Committee

Under the auditing standards, there are certain communications that we must provide to the Audit 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 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 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



This document is confidential to: **Mid Devon District Council**

© Bishop Fleming. All rights reserved.

Bishop Fleming is a trading name of Bishop Fleming LLP, a limited liability partnership registered in England and Wales No. OC391282, and Bishop Fleming Audit Limited, a limited company registered in England and Wales No. 07869428. Registered offices: Bishop Fleming, Brook House, Winslade Park, Manor Drive, Clyst St Mary, Exeter, EX5 1GD. A list of members' names for the LLP is available at the above address.

