

The Audit Findings for Torbay Council

Year ended 31 March 2022



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Your key Grant Thornton team members are:

Paul Dossett

Key Audit Partner

T 020 7728 3180

E Paul.Dossett@uk.gt.com

Liam Royle

Audit Manager

T 0117 305 7687

E Liam.c.royle@uk.gt.com

Natalie Faulkner

In-charge Auditor

T 0117 305 7873

E Natalie.l.faulkner@uk.gt.com

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and will be presented the Audit Committee on 24 July 2024.

Name: Paul Dossett
For Grant Thornton UK LLP

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Torbay Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed in a hybrid manner during October 2023 to July 2024. Our findings are summarised on pages 3 to 27. We have identified 2 adjustments to the financial statements that have resulted in a £60.5m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (see separate agenda item) or material changes to the financial statements, subject to the outstanding matters on page 6.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

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

We have completed our VFM work, which is summarised on pages 23 and 24, and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to Audit Committee in interim form in July 2023. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

The audit of the 2021-22 financial statements has taken an unusually long time due to resourcing challenges on both sides, and this should be understood in the context of the wider issues in the local audit market which have been discussed at previous Audit Committees. We note one general issue with the quality of Council working papers and in particular the difficulty in reconciling some balances back to the general ledger, largely due to the unfamiliarity of current officers with work performed by their predecessors which did not provide an adequate audit trail. Completing the significant reconciliation between the CIES and the trial balance was a lengthy process and we did not receive the final version of this until late March 2024. We have raised a recommendation in our Action Plan (Appendix B) in relation to this and note that officers have already been proactive in identifying improvements in future accounts preparation processes to address this.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Council for their support in working with us to complete the audit, noting the challenges for officers in working on statements prepared several years ago by their predecessors.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. The Council had managed this well, in the context of COVID-19 and other restrictive pressures, to mitigate the risks associated with high levels of borrowing. Additionally, careful use of Council reserves has enabled the Council to navigate the increasing demands for provided services such as housing.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted on page 4, we have faced significant issues this year in completing our audit work, many of which arose from gaps in understanding around legacy working papers which support the accounts. We acknowledge the efforts of new officers led by the section 151 officer to overcome these challenges, but they have nevertheless caused significant delay in completing the audit and required extensive additional resource input causing the audit completion to run into May 2024 instead of the originally planned December 2023. We have therefore raised a significant fee variation which has been discussed and agreed with management, pending approval by PSAA. Please see Appendix E for further detail of fees charged.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 24 July 2024. These outstanding items include:

- conclusion of a small number of remaining queries relating chiefly to the group consolidation;
- quality review of responses received to recommended audit adjustments and finalisation of updated disclosures;
- final quality reviews by the audit manager and Key Audit Partner and sign-off of hot review queries;
- receipt of management representation letter; and,
- review of the final set of financial statements

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in March 2022.

We set out in this table our determination of materiality for Torbay Council and the group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	6,572,000	6,194,000	This is based on 2% of your PY gross expenditure
Performance materiality	4,929,000	4,645,500	This is based on 75% of the materiality benchmark.
Trivial matters	328,600	309,700	This is based on 5% of materiality and represents the level above which uncorrected omissions or misstatements are reported to those charged with governance. Items below this are deemed to be 'trivial' for this purpose



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals; • analysed the journals listings and determine the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions <p>We have not identified any material issues which are required to be reported to those charged with governance.</p>	<p>Group and Council</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>The revenue cycles includes fraudulent transactions (ISA240)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and nature of the revenue streams at Torbay Council and the group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical framework of local authorities, including Torbay Council, mean that all forms of fraud are seen as unacceptable. <p>Our audit work has not identified any issues in respect of risk of the revenue cycles including fraudulent transactions</p>	<p>Group and Council</p>
<p>Risk of fraud related to expenditure recognition PAF Practice note 10</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (E.g., deferring expenditure to a later period). This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.</p>	<p>We have determined that the risk of material fraud arising from revenue recognition can be rebutted because, per Practice note 10, misstatement may arise where the audited body is under pressure to meet externally set targets. This environment does not exist at the council or group. We therefore do not consider this to be a significant risk for the Council or the group (noting that any fraud in the subsidiaries could not be material to the group).</p>	<p>Group and Council</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statement due to the size of the number involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for investment properties) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; written to the valuer to confirm the basis on which the valuation was carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understandings, the valuer's report, and the assumptions which underpin the valuation; tested revaluations made during the year to see if they had been input correctly into your asset register; evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current year value at year end. <p>We noted two issues with the valuation of land and buildings. Firstly, for 12 assets, revaluations had not been processed even though the valuation had been performed and reported in the valuer's report. The collective value of these assets was £145k and therefore trivial, but we have raised a recommendation in Appendix B in regards to the completeness of the asset valuation exercise.</p> <p>In addition, our review of those assets not revalued identified a possibility of material misstatement as several classes of assets have not been revalued since 1 April 2017 or 2018. In particular, we reviewed those assets last revalued on 1 April 2017 and identified that for two assets the valuations at 1 April 2022 were materially different (£10.5m). We recommended that the accounts be updated for these two assets and this correction has been processed. We have also raised a recommendation to improve the process of reviewing assets for possible material misstatements (see Appendix B).</p>	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Valuation of Investment Property</p> <p>The Council revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant financial statements estimate by management due to the size of the balances involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the fair value as at 31 March 2022.</p> <p>We therefore identified the valuation of the closing balance of investment properties as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuations were carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and, • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register. <p>Our audit work has not identified any material issues in respect of valuation of investment property. However, we noted one calculation error which resulted in an extrapolated understatement of the investment property balance of £479k – see Appendix D for further detail.</p>	Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Valuation of pension fund net liability The Council and group's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£184.7m/£202.7m in the Council's/group's balance sheet respectively) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability, in particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in either of these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in its calculation. With regard to these assumptions, we have therefore identified valuation of the group and Council's pension fund net liability as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> • updated our understandings of the processes and controls put in place by management to ensure that the Council's pension fund liability is not materially misstated and evaluate the design of associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the group and Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statement with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • completed procedures with regards to the impact of the triennial valuation for the year ended 31 March 2022; and, • obtained assurances from the auditor of Devon Pension Fund as to the controls surrounding 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 statement. <p>The updated triennial valuation revised the net liability downwards by £50.1m, due to changes in key assumptions, particularly around post-retirement mortality, and updates to reflect the member data as at 31 March 2022 (particularly the significant increase in active members of the scheme).</p> <p>Our audit work has not identified any issues in respect of the valuation of the pension fund liability.</p>	Group and Council

2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Torbay Economic Development Company	PKF Francis Clark	An unqualified audit opinion of Torbay Economic Development Company Limited was issued by PKF Francis Clark on 15 December 2022. No significant issues were identified.	No issues identified by the component auditor. We have completed our own testing on balances significant to the group accounts with no issues identified.
SWISCO	Bishop Fleming LLP	An unqualified audit opinion of SWISCO Limited was issued by Bishop Fleming LLP on 6 December 2022. No significant issues were identified.	No issues identified by the component auditor. We have completed our own testing on balances significant to the group accounts with no issues identified.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £226.6m</p>	<p>Other land and buildings comprises £123.937m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged the TDA property team to complete the valuation of properties each year, at either 1 April or 31 March, on a five yearly cyclical basis. In addition, the Energy from Waste PFI asset was revalued by NPS South West Limited on the instruction of Devon County Council, and this valuation was communicated to Torbay Council in order to account for its share of this asset. 37% of total assets were revalued during 2021/22.</p> <p>Management have considered the year end value of non-valued properties and the potential for these to be materially misstated. The valuer has undertaken a review of each class of asset and considered the potential for significant movements since the previous valuation date. Management's assessment of assets not revalued has identified no material change to the value of the properties. We have raised one recommendation to management in Appendix B regarding the documentation of this process.</p> <p>The total year end valuation of land and buildings was £226.6m, a net increase of £19m from 2020/21 .</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed the competence and expertise of management's expert; Reviewed the completeness and accuracy of the underlying information used to determine the estimate; Reviewed the assumptions used by the expert, including the floor areas, yields, and build rates; Ensured that there has been no changes to the method used to revalue the assets, and ensured that the method is suitable for the different classes of the assets; Considered the adequacy of disclosure of the estimate in the financial statements. <p>As identified on page 10, we noted a material understatement of PPE balances due to two assets not having been revalued since 1 April 2017. We have therefore assessed this area as grey i.e. the assumptions were over-cautious as the understated the value of the assets.</p>	<p>Grey</p>

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £211m	<p>The council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received for the asset in an orderly transaction between market participants at the measurement date) so these assets are valued every year as at 31 March.</p> <p>The Council has engaged the TDA property team to complete the valuation of properties as at 31 March 2022. All assets were revalued in year as required by the Code of Practice.</p> <p>The total year end valuation of investment property was £211m, a net increase of £7.9m from 2020/21.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed the competence and expertise of management's expert; Reviewed the completeness and accuracy of the underlying information used to determine the estimate; Reviewed the assumptions used by the expert, including the yields; Ensured that there has been no changes to the method used to revalue the assets, and ensured that the method is suitable for the different classes of the assets; Considered the adequacy of disclosure of the estimate in the financial statements. <p>We noted one immaterial error in estimation where an asset valuation had not been correctly calculated. We extrapolated this error across the population and identified that investment property assets were likely to be understated by £479k. We have included this as an unadjusted misstatement in Appendix D.</p> <p>We also identified that there had been no disclosure made in regards to the level of the assets in the fair value hierarchy as required by IFRS 13. We have noted this disclosure omission in Appendix B.</p>	Light Purple

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – (£184.7m)	<p>The Council's net pension liability at 31 March 2022 is £184.7m (PY £211.4m). The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022, following the year end. As this had a material impact on the valuation of the liability as at 31 March 2022, an adjusting post-balance sheet event occurred and a corresponding adjustment to the accounts was processed. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £92.9m net actuarial gain during 2021/22.</p>	<p>We have:</p> <ul style="list-style-type: none"> Assessed management's expert Assessed the actuary's approach taken and deemed it reasonable Used PwC as auditor's expert to assess actuary and assumptions made by actuary (see table below) Confirmed the completeness and accuracy of the underlying information used to determine the estimate Confirmed the reasonableness of the Authority's share of LPS pension assets. Confirmed the reasonableness of the decrease in the liability estimate Confirmed the adequacy of the disclosure of the estimate in the financial statements <p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p>	Light Purple																								
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.6%</td> <td>2.55%-2.60%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.05%-3.45%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.2%</td> <td>1% above CPI</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>23.0/21.7</td> <td>21.9 - 24.4/20.5 - 23.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>24.3/22.9</td> <td>24.3 - 25.9/22.9 - 24.5</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.6%	2.55%-2.60%	●	Pension increase rate	3.2%	3.05%-3.45%	●	Salary growth	4.2%	1% above CPI	●	Life expectancy – Males currently aged 45/65	23.0/21.7	21.9 - 24.4/20.5 - 23.1	●	Life expectancy – Females currently aged 45/65	24.3/22.9	24.3 - 25.9/22.9 - 24.5	●	
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.6%	2.55%-2.60%	●																								
Pension increase rate	3.2%	3.05%-3.45%	●																								
Salary growth	4.2%	1% above CPI	●																								
Life expectancy – Males currently aged 45/65	23.0/21.7	21.9 - 24.4/20.5 - 23.1	●																								
Life expectancy – Females currently aged 45/65	24.3/22.9	24.3 - 25.9/22.9 - 24.5	●																								

Assessment

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2. Financial Statements: key judgements and estimates

















Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision – £7.6m	<p>The council is responsible on an annual basis for determining the amount charged for the repayment of bad debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The council's policy is generally in line with the guidance from DCLG, except for in respect of capital loans, where it is recommended that MRP is charged with a maximum UEL of 20 years. The council's policy charges £nil MRP on these loans. The difference in MRP would be £2.85m.</p> <p>The year end MRP is £7.6m, a net increase of £0.4m from 2020/21.</p>	<p>We have reviewed the estimate by:</p> <ul style="list-style-type: none"> assessing whether the MRP has been calculated in line with the statutory guidance; assessing whether the Council's policy on MRP complies with statutory guidance; reviewing the reasonableness of the increase in the MRP charge <p>We note that:</p> <ul style="list-style-type: none"> the MRP has been calculated in line with the council's policy the council's policy on MRP does not fully comply with the statutory guidance, due to £nil MRP charge recognised for capital loans. the authority's policy on MRP for 21/22 has been discussed and agreed with those charged with governance and has been approved by the full council. the increase in MRP charge is reasonable <p>Government consulted in February 2022 on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation.</p>	Blue

Assessment





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

2. Financial Statements: Information Technology

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

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
FIMS	ITGC assessment (design and implementation effectiveness only) Understanding of link to feeder systems					Management override of controls (significant risk)
OpenRevenue from Civica	ITGC assessment (design, implementation and operating effectiveness)					Welfare expenditure (other risk) Collection fund (other risk)
ResourceLink from Zellis	ITGC assessment (design and implementation effectiveness only)					Employee benefit expenditure (other risk)
Adelante	ITGC assessment (design and implementation effectiveness only)					Fees and charges income (other risk)

Assessment

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

2. Financial Statements: matters discussed with management

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

Significant matter	Commentary
Prior year adjustments identified	We did not identify any prior period adjustments requiring changes to the primary financial statements. However, there were a number of disclosure items where the prior period required restatement. More detail can be found in Appendix D.
Other matters that are significant to the oversight of the financial reporting process.	No additional issues identified beyond those already mentioned on page 4 of this report and the subsequent recommendation made in Appendix B.

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures]
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to financial institutions . This permission was granted and the requests were sent. All of these requests were returned with positive confirmation with two exceptions (from the same institution) for investment balances totalling £6m . We undertook alternative procedures over these balances with no issues identified in our testing.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>We noted one immaterial inconsistency between the Narrative Report and the financial statements which management have agreed to correct.</p>
Matters on which we report by exception	<p>We are required to report by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness or weaknesses. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>On 18 April 2024 the NAO confirmed that they had concluded work on the 2021/22 WGA and further assurance returns were not required. We have therefore not completed any further work in this area.</p>
Certification of the closure of the audit	<p>We intend to certify the audit as complete following the issuing of our audit opinion as our work on VFM is complete and the WGA is no longer required.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have concluded all of our VFM work and so are in a position to issue our Auditor's Annual Report. The interim report for 2021-22 and 2022-23 was previously considered by Audit Committee at the meeting in July 2023.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant weaknesses during completion of the VFM work for year ended 31 March 2022.

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

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group or Council. Due to the length of both the audit and certification processes, there are multiple overlapping services which have occurred or been billed and so we disclose all relevant fees for non-audit services undertaken. The following non-audit services were identified:

Service	Fees £	Year	Threats identified	Safeguards
Audit related				
Certification of Housing Benefit subsidy	20,250	2019/20	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for each year of this work is not significant in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	20,250	2020/21		
	21,060	2021/22		
	26,400	2022/23		
Teachers' Pension Scheme	5,000	2020/21	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for each year of this work is not significant in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	7,500	2021/22		
	10,000	2022/23		
Harbour audit	1,500	2020/21	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for each year of this work is not significant in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	1,500	2021/22		

4. Independence and ethics

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

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

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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

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

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 4 recommendations for the group and Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of our next audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	As highlighted on page 4, we noted a general issue with the quality of Council working papers and in particular the difficulty in reconciling some balances back to the general ledger, largely due to the unfamiliarity of current officers with work performed by their predecessors.	<p>We recommend that management put in place procedures to embed knowledge of the accounts preparation process more broadly within the finance team, with an aim to avoid “single points of failure” and the loss of institutional knowledge if key individuals leave the Council. Working papers should include sufficient detail to be understandable by users other than the preparer.</p> <p>Management response</p> <p>Agreed, management have started to address this issue and will continue to improve the quality of the working papers and ensure that knowledge of the accounts preparation process is sufficient within the Finance team.</p>
High	We identified a possibility of material misstatement of PPE assets where there had been a lengthy gap since the last valuation. In particular we identified two schools assets which were last valued on 1 April 2017 and had not been subsequently revalued within the five year rolling programme. As the valuations for 1 April 2022 (i.e. those performed for the 2022/23 financial year) were available, we compared the two schools assets to these updated valuations and identified that there was a £10.5m increase in value, which in our view demonstrated that as at 31 March 2022 the asset values were materially understated.	<p>Management should review its processes for identifying the possibility of material misstatement in assets which are not part of the revaluation programme in year and seek to proactively include those assets in the annual valuations where it seems likely that this may be required. This process should be formally documented so that it is available to review.</p> <p>Management response</p> <p>Agreed, management will review processes and revise as required.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	Our testing of PPE additions identified two items which related to the prior year which had not been accrued for and incorrectly capitalised in 2021/22. We extended our testing and identified one further such item. The total value of these items was £904k. All identified errors were accounted for in the first month of 2021/22 and therefore we extrapolated the error over expenditure in this month only. The total overstatement of in-year additions is estimated to be £1,066k. We note that this would not adjust any closing balances on the primary statements as the transactions would have been recognised in the prior year instead and therefore the net position would be unchanged.	<p>Management should seek to ensure that all transactions are captured in the correct period and that cut-off and completeness procedures at the year-end are robust.</p> <p>Management response</p> <p>Agreed, the process will be reviewed to ensure that all transactions are captured and the year-end procedures for this area are robust.</p>
Medium	In the prior year we recommended that the Council consider disposing of assets held in the balance sheet with a nil Net Book Value (NBV) as these assets should have come to the end of their useful lives. If assets are no longer in use by the Council but continue to be disclosed then they overstate the Gross Book Value (GBV) and accumulated depreciation balances in the PPE note.	<p>The 2021/22 FAR and balance sheet contain 437 assets with a Gross Book Value (GBV) of £6.97m and a Net Book Value (NBV) of nil. We have therefore re-raised this recommendation.</p> <p>Management response</p> <p>Noted, the council will consider the removal of these assets for the asset register in consultation with the Council's appointed valuer.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Torbay Council's 2020/21 financial statements, which resulted in 6 recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note that 3 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	As the Council's subsidiaries grow in size and in the scale of their operations, more consideration needs to be taken when constructing the group accounts as more areas become material and thereby require inclusion.	The Council has continued to review the guidance in producing its group accounts. We also note that there has been a review of the group structure and a resulting change in arrangements which may reduce the impact of the group companies on the consolidation from 2024/25 onwards.
✓	Current pension disclosures do not adequately communicate to the reader where the pension liabilities of the Councils' subsidiaries sit. For SWISCO, the pension liability has been guaranteed but does not sit on the Council's balance sheet.	The Council will review this and incorporate the necessary information which ensures this is adequately disclosed.
X	As part of our income completeness testing, we have identified income that should have been accrued for in 20/21 but was not. This was due to uncertainty that existed at year end around whether Torbay would issue a charge for the work they had performed or not. We recommend that accruals processes should be improved to ensure that accrual processes should be improved to ensure that accruals are made even when such uncertainty exists.	We did not identify any issues in relation to income accruals in 2021/22. However, we identified 3 capital expenditure items which had not been accrued in 2020/21 but accounted for in 2021/22. We have therefore raised a further recommendation in Appendix B in regards to year-end completeness procedures.

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	It seems likely that many assets are not cleared off the balance sheet at the end of their useful life. We recommend that management give consideration to removing any assets which have reached the end of their useful as part of their review of the FAR at the year end.	The 2021/22 FAR and balance sheet contain 437 assets with a Gross Book Value (GBV) of £6.97m and a Net Book Value (NBV) of nil. We have therefore raised a further recommendation in Appendix B.
✓	<p>During the course of our work, as part of our journal inquiries, it was brought to our attention by the council that one entry with a value of £40,084.75, was incorrectly posted. This should have been entered as a month 13 AC08 accrual journal but was entered as a month 13 AC01 journal by mistake. This wasn't picked up by the authoriser of the journal either and had therefore gone through incorrectly. The journal number was 4165509 and it relates to Car Parking income. However, the amount is below trivial, and the error was subsequently picked up by other control activities (budget reviews & Balance Sheet Housekeeping exercises which identified this error) and corrected by the client.</p> <p>We recommend that further controls are established during the journal authorisation process to prevent these errors from occurring in the future.</p>	We have not identified any further such issues in 2021/22.
✓	We recommended that management create a formal process for considering impairment and de-recognition of infrastructure assets	Management will review and document this as required.

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m	Impact on general fund £m
The publication of the triennial valuation based on data as at 31 March 2022 is an adjusting post-balance sheet event. The pension liability and corresponding remeasurement in the CIES were required to be restated.	(50.3)	50.1	50.1	0.1 (other movements adjusted through the Pensions Reserve)
Two PPE assets were understated by a total of £10.5m as identified on page 10.	(10.5)	10.4	10.4	Nil (adjusted through the Capital Adjustment Account and Revaluations Reserve)
Overall impact	(60.7)	60.5	60.5	£0.1

D. Audit Adjustments (continued)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/omission	Auditor recommendations	Adjusted?
We identified one operating lease for which the final year of the agreement had not been included when calculating the future minimum property lease payments receivable in future years in the "Later than five years" line in Note 38. The disclosure was therefore understated by £479k.	Management should ensure that all relevant information is being included in calculating disclosures and perform quality checks over formulas within working papers to support this. Management response Agreed, this will be addressed as part of the review of working papers.	X (immaterial)
The Council discloses the gross investment in its finance leases in Note 38 based on net present value (NPV). The NPV calculation was incorrectly excluding interest and therefore the disclosure was materially understated by approximately £20m. The disclosure requires updating for both the current and prior years, though there is no impact on the primary statements.	Management should ensure that all relevant information is being included in calculating disclosures and perform quality checks over formulas within working papers to support this. Management response Agreed, this will be addressed as part of the review of working papers.	✓
The "Property, Plant and Equipment" and "Government grants and contributions" lines in the Capital Financing Requirement in Note 37 were overstated by £500k each (which nets to nil).	Management should ensure that items are not double-counted within disclosures. Management response Agreed, processes will be reviewed to ensure that the risk of double counting is reduced.	X (immaterial)
Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty did not disclose any estimation uncertainty in regards to the PPE and investment property valuations. We considered that it is unlikely there would not be a possible material movement due to estimation uncertainty for these significant balances (noting that this is not the same as disclosing a material uncertainty as was done in 2019/20 and 2020/21 in relation to Covid-19).	Note 4 should disclose those significant estimates where there is material estimation uncertainty, including the basis of uncertainty and with a quantification of the possible difference arising from this. Management response Management will review and include the basis of uncertainty and all other required information.	✓
The disclosure of the external auditors' costs includes a line for prior year fees related to certification. £36k of this figure is for the prior year audit fee variation and should not be included in this balance.	The note should be updated to correct this disclosure. Management response Agreed and updated in the final accounts.	✓
The draft accounts included no disclosure as to the levels of the investment property assets within the fair value hierarchy (i.e. levels 1, 2, or 3) as required by IFRS 13.	The accounts should be updated to capture all required disclosures. Management response Agreed, year-end processes will be amended to ensure that this information is included.	✓

D. Audit Adjustments (continued)

Disclosure/issue/omission	Auditor recommendations	Adjusted?
Note 29 included disclosure of two different job titles without making it clear that these related to the same individual and therefore that users should understand their remuneration as being the combination of the two.	<p>In the instance where an individual has held two different posts in the year, management should make sure that it is possible for users to understand that what is being reported is the remuneration for one person in two roles and not two separate individuals.</p> <p>Management response</p> <p>Agreed, year-end processes will be amended to ensure that this information is included.</p>	✓
Note 40 required updating due to the results of the triennial valuation for the year ending 31 March 2022, which resulted in numerous disclosure changes as well as a material change to the primary statements (see page 37).	<p>The underlying adjustments should be processed as required by IAS 19.</p> <p>Management response</p> <p>The adjustments have been processed and processes and procedures will be updated as required.</p>	✓
The financial assets in Note 16 Financial Instruments were overstated as they included a number of current debtors which were not contractual in nature such as those balances relating to Council Tax and business rates, which are not within the scope of IFRS 9.	<p>Management should ensure they understand the basis for inclusion of balances in the financial instruments notes and only disclose those which are within the scope of the relevant standards.</p> <p>Management response</p> <p>Officers will review the legislation and amend working papers where required to ensure the disclosure is correct.</p>	✓
Note 13 includes a table disclosing the last year assets were revalued (in totality by value). The table in the draft accounts under-discloses the assets valued in 2021/22 as the £31m Energy from Waste PFI asset has not been accounted for.	<p>Management should update the table to correct the disclosure.</p> <p>Management response</p> <p>An adjustment has been made where required.</p>	✓
Note 3 included numerous items identified as “Critical judgments in applying accounting policies.” On review 3 items were identified as not being critical judgments as they either did not include any particular judgment and just restated the accounting policy, were immaterial to the accounts, or both.	<p>Management should ensure that where critical judgments are disclosed these are truly critical and do not merely restate the accounting policies, and that there is a clearly identifiable judgment which would materially impact the accounts were it to be different.</p> <p>Management response</p> <p>The processes and procedures will ensure that the review and updating of this note take this recommendation into account.</p>	✓
Note 5 Expenditure and Funding Analysis did not include all required disclosures as there was no reconciliation to the General Fund.	<p>Management should update the note to correct the disclosure.</p> <p>Management response</p> <p>An adjustment has been made where required.</p>	✓
Various other minor disclosure errors and amendments made.	No further work required as disclosures have been updated appropriately.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
A formula error was identified in the valuations of investment property which caused the valuation to be understated. The total extrapolated error of £497k understates the investment property balance and corresponding movements in the CIES and MIRS.	(497)	497	(497)	Nil (adjusted through Capital Adjustment Account)	The difference is immaterial
The "Fees, charges, and other service income" line in Note 8 Expenditure and Income Analysed by Nature discloses a balance of £49.5m. Officers were only able to provide listings to support £48.9m of this balance. We therefore consider the remaining £0.603m to be an unadjusted misstatement.	603	(603)	603	603	The difference is immaterial
Overall impact	106	(106)	106	603	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

E. Fees and non-audit services

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

Audit fees	Proposed fee (£)
Scale fee	84,531
Increased FRC challenge	6,250
Group	5,065
ISA 540	12,085
Value for Money audit – new NAO requirements	19,000
Other – quality and preparation issues	37,300
IAS 19 triennial valuation	6,000
Total audit fees (excluding VAT)	170,231

The fees reconcile to the financial statements as follows:

- fees per financial statements: £135,931 as communicated in our Audit Plan (rounded to £136,000 in the financial statements)
- subtract remote working fee per Audit Plan: £10,000 (not required as we were able to partially complete our work on site)
- additional fee charged for quality and preparation issues: £37,300
- additional fee for the IAS 19 triennial valuation: £6,000
- total fees as charged above: £170,231

E. Fees and non-audit services

Service	Proposed Fees (£)	Final Fees (£)	Year
Audit related			
Certification of Housing Benefit subsidy	20,250	20,250	2019/20
	20,250	20,250	2020/21
	20,250	21,060	2021/22
	26,400	26,400	2022/23
Teachers' Pension Scheme	5,000	5,000	2020/21
	7,500	7,500	2021/22
	10,000	10,000	2022/23
Harbour audit	1,500	1,500	2020/21
	1,500	1,500	2021/22

*Estimated fees not yet agreed

The Statement of Accounts discloses £27k of “Fees payable to Grant Thornton for the certification of grant claims and returns for the year” which agrees to the proposed fees in our Audit Plan for 2021/22. The final fees for the differ from this by £2,500 for the Teachers’ Pension Scheme work and £810 for the Housing Benefit subsidy work.

The draft Statement of Accounts disclosed £69k of “Fees payable to Grant Thornton for the certification of grant claims and returns for prior years.” This consists of the 2020/21 Harbour Audit (£1,500), 2020/21 Teachers’ Pension Audit (£5,000), 2019/20 Housing Benefit certification (£7,000), 2020/21 Housing Benefit Certification (£20,250). The remaining £35,500 is for the 2020/21 variation to the audit fee which should not be included in this line and we have recommended that this be removed.

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

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.



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