

# The Annual Audit Letter for North Devon District Council

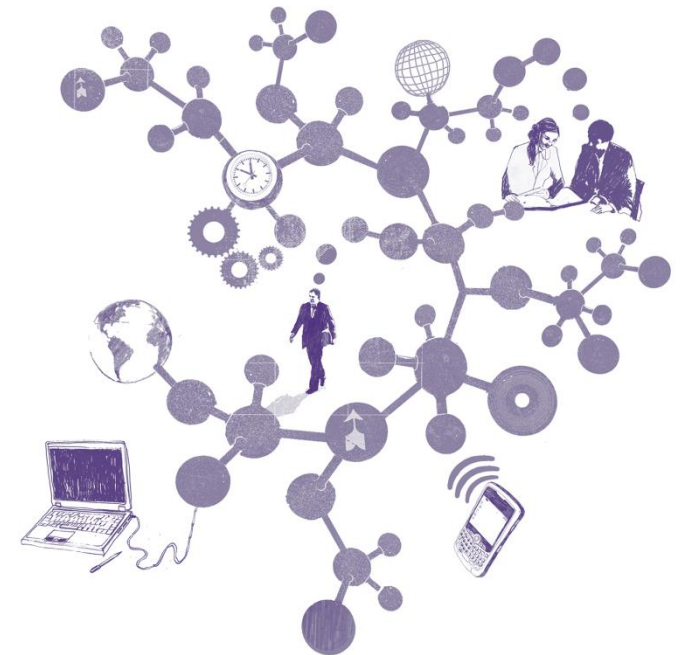
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**Year ended 31 March 2014**

October 2014

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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at North Devon District Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 20 May 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

<p><b>Financial statements audit (including audit opinion)</b></p>	<p>On 23 September 2014 we reported our findings arising from the audit of the financial statements to the Audit Committee in our Audit Findings Report. The key messages reported were:</p> <ul style="list-style-type: none"> <li>• the draft accounts were produced to a high standard</li> <li>• the audit has been facilitated by good working papers and prompt assistance from the finance team</li> <li>• We did not identify any errors in the main financial statements which required amendment.</li> </ul> <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 29 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<p><b>Value for Money (VfM) conclusion</b></p>	<p>The Council has a good record of financial control and has successfully identified and delivered significant savings in waste and recycling and other areas. However the medium term financial plans have not been formally updated since February 2013. Draft plans have recently been presented to Executive members at Leadership Team which show a gap between expected spending and funding from 2015/16 onwards. From 2017/18 the gap is significant and increasing. The Council needs to develop plans to reduce spending or secure extra income.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014. We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p>

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# Key messages

<b>Whole of Government Accounts</b>	We were not required to carry out a full review of the WGA pack as the Council fell below the threshold set by the National Audit Office (NAO). We reported that the Council's IAS19 Pensions and Property, Plant and Equipment (PPE) disclosures were consistent with the audited financial statements.
<b>Certification of grant claims and returns</b>	In 2013/14 we were only required to audit the Housing Benefit and Council Tax Benefit Subsidy claim. Our work in this area is still in progress and has a reporting deadline of 30 November 2014.
<b>Audit fee</b>	Our fee for 2013/14 was £62,301, excluding VAT which was in line with our planned fee for the year and was the same fee as in the previous year. A fee variation is currently being agreed with the Audit Commission to account for the increased work required as part of the final accounts audit as a result of the national non domestic rates grant claim not requiring an audit in 2013/14. Further details are included within Appendix B.

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible officer/ due date
1.	<p>The Council's Medium Term Financial Strategy (MTFS) has not been formally updated since February 2013. Draft plans have recently been presented to Executive members at Leadership Team which show a gap between expected spending and funding from 2015/16 onwards.</p> <p><b>Recommendation:</b> The Council should formally update its MTFS and identify detailed savings plans to meet the budget gaps. The MTFS should be updated annually to reflect the latest agreed budget of the Council and aid effective future financial planning.</p>	High	<p>The Leadership Team has been working together to develop an updated MTFS covering 2015-16 to 2017-18. Work is on-going to find the savings to bridge the gaps identified in these years, which doing nothing would be around £1.5m in 2017-18. Savings of almost £1m have been identified to close the gap and deliver a balanced budget in the first two years and work continues to develop options for 2017-18 where a revised savings target of £0.5m has been forecast.</p> <p>Responsible officer: Head of Financial Services Due date: 31 October 2015</p>

# Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	62,301	62,301
Additional fee – Business rates*	nil	900
Grant certification fee**	9,768	9,768
<b>Total fees</b>	<b>72,069</b>	<b>72,969</b>

\* There is additional fee of £900 in respect of work on material business rates balances. this additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for unitary councils and is subject to agreement by the Audit Commission.

\*\* The grant certification fee is indicative until the grant claim work is complete. The final fee will be notified in the Annual Certification Report later this year.

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

Report	Date issued
Audit Plan	May 2014
Audit Findings Report	September 2014
Certification report	December 2014
VfM – Financial Resilience Report	October 2014
Annual Audit Letter	October 2014



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