

TEIGNBRIDGE DISTRICT COUNCIL

AUDIT SCRUTINY COMMITTEE

21 OCTOBER 2020

Report Title	2019/20 FINAL ACCOUNTS
Purpose of Report	To bring an update on the statement of accounts 2019/20 for Members to review and recommend to Council for approval.
Recommendation(s)	The Audit Scrutiny Committee recommend the statement of accounts 2019/20 and letter of representation for approval to Council subject to any final adjustments agreed with the external auditors which will be reported to Council.

Financial Implications	The financial implications are contained throughout the report. The main implication is that the accounts have been closed and audited and general reserves are slightly above the budgeted level anticipated at 31 March 2020 - £1.987 million. See section 3 Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
Legal Implications	See section 5 – the Accounts and Audit Regulations 2015 set out the requirements for the production and publication and audit of the annual statement of accounts. Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
Risk Assessment	Major risks are summarised in section 4. The most significant of these is the level of future funding from Central Government and the level of reserves held to meet future unexpected variations in income. Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
Environmental/ Climate Change Implications	The revenue budget supports the funding of a Climate Change Officer and associated budget – see section 7. David Eaton – Environmental Protection Manager Tel: 01626 215064 Email: david.eaton@teignbridge.gov.uk
Report Author	Martin Flitcroft – Chief Finance Officer Tel: 01626 215246 Email: martin.flitcroft@teignbridge.gov.uk
Portfolio Holder	Councillor Richard Keeling – Portfolio holder for Corporate Resources
Appendices	None – see links to statement of accounts
Part I or II	Part I
Background Papers	2019/20 year end files including Accounts and Audit Regulations 2015.

1. PURPOSE

To bring an update on the statement of accounts 2019/20 for Members to review and recommend to Council for approval.

2 BACKGROUND

- 2.1 The accounts and audit regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement usually has to be produced and certified by the chief finance officer by 31 May however the outbreak of Covid 19 has triggered amendments to

this deadline by extending this to the end of August. Ordinarily the accounts have to be brought for full council approval after external audit and by 31 July however again this has been amended to the end of November or as soon as is practically possible.

- 2.2** At the Audit Scrutiny meeting of 26 August 2020 the committee was introduced to the draft accounts and the results for the year 2019/20 including those for treasury management. The draft accounts were published at the end of July, a month before the temporary deadline of the end of August.
- 2.2** The statement of accounts and financial records have been audited by our external auditors Grant Thornton during August, September and October. Their signed audit opinion will be provided by the end of November. Their annual governance report on the accounts has been provided separately on this agenda for consideration. Any final adjustments will be reported to Council on 23 November. Any likely adjustments will be discussed at today's meeting when Grant Thornton submit their findings.
- 2.3** The conclusion of the audit will be published by advertisement on the Teignbridge website as required by legislation. After approval the final accounts will be available on the website or a hard copy can be obtained. Members can access the accounts via this link: [Teignbridge website](#) and a hard copy is available in the Finance.
- 2.4** The Chartered Institute of Public Finance and Accountancy (CIPFA) Toolkit for Local Authority Audit Committees published in 2006 recommends the following focus in relation to the committee's review of the financial statements:
- the suitability of accounting policies and treatments
 - any changes in, and compliance with, accounting policies and treatments
 - major judgemental arrears such as provisions
 - significant adjustments and material weaknesses in internal control reported by the external auditor

This report will concentrate on those areas.

3 DRAFT STATEMENT OF ACCOUNTS 2019/20

- 3.1** The audit of the statement of accounts is currently being finalised and there are no known major adjustments to date. Grant Thornton will discuss any findings separately in their report when the audit is completed. There are no adjustments required to the Strata figures consolidated into the accounts of the Council. The draft closing general reserves at 31 March 2020 of £1.987 million are an improvement on the original budget of £41,000.
- 3.2** The draft balance sheet shows a net worth of £17.4 million at 31 March 2020 compared to a net worth of £13.9 million at 31 March 2019. This is due mainly to an increase in capital grants unapplied and capital receipts in the

year, a decrease in the pension fund deficit and an increase in the value of our property, plant and equipment.

- 3.2** The regulations require the formal approval of the accounts and this will be signified by the Chairman of the Council signing and dating the accounts on the page entitled the Statement of Responsibilities for the Statement of Accounts at the Council meeting. This statement is from the Chief Finance Officer and will be signed by him before presentation of the accounts to the council meeting.

3.3 Accounting Policies and Treatments

Note 1 of the notes to the financial statements identifies the accounting policies which follow CIPFA recommendations in the latest Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. The most significant policies relate to property, plant and equipment, charges to revenue, accruals, pensions, reserves and provisions as follows:

- All expenditure over £10,000 on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. These are valued on the basis recommended by CIPFA and in accordance with The Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The majority of assets are valued at fair value with some at depreciated historical cost. Property, plant and equipment excluding land are depreciated over their remaining useful life on a straight line basis.
- Charges for depreciation and impairment are made to the comprehensive income and expenditure account by direct allocation to the relevant service and then reversed out in the movement in reserves statement. Capital charges therefore help show the true cost of services but have a neutral impact on the amount required to be raised from council tax.
- The accounts are maintained on an accruals basis in accordance with the Code of Practice on Local Authority Accounting. That is all sums due to or from the council during the year are included whether or not the cash has actually been received or paid in the year.
- Accounting for the council's defined benefit pension scheme is prepared under the requirements of International Accounting Standard 19. Thus entries are made in the accounts and the valuation of liabilities is shown in the balance sheet. The notes explain that the cost of benefits is charged as they are earned but this cost is reversed out so that the charge against council tax is based on the cash payable in the year.
- Reserves are maintained to meet general rather than specific future expenditure although some can be earmarked for specific purposes. Provisions are only recognised when there is a liability that is of uncertain timing or amount. Provisions are required where Teignbridge has a present obligation as a result of a past event.

3.4 Provisions

The main provisions are those for bad debts (now described as an impairment allowance for bad debts) and the most significant of these are for sundry debtors, council tax, and national non domestic rates. An appeals provision is also held for potential appeals against business rates valuations charged. These are as follows:

- A provision of £661,000 or 20% has been made against a year end balance of £3,336,000 for sundry debts. The majority of the debt relates to housing benefit overpayments where arrangement for regular affordable payments has been made. 30% is provided for small older debts still outstanding with specific appropriate provision for individual large debts. Write offs in the year were £149,000 or 1.2% of debt raised in year (2018/19 £111,000 or 0.8% of debt raised in year).
- The council tax gross debt at the year end was £3,826,000 (2018/19 £3,402,000) and write offs in the year were £196,000 (2018/19 £165,000). The write offs have remained low for each of the last five years at less than 0.3% of the debit raised. The debit raised in the year was £116 million. The bad debt provision for 2019/20 has been increased to £990,000 being 26% of the balance.
- For national non domestic rates the gross balance at the year end was £474,000 (2018/19 £390,000). Write offs were £49,000 (2018/19 £78,000). The value of the bad debt and appeals provision amounts to £1.6 million at 31 March 2020 to cover potential future bad debts and appeal adjustments on rating valuations. Write offs have remained low for each of the last five years at less than 0.5% of the debit raised. The debit raised in the year was £40 million.

3.5 External Auditor Reports

All reports from Grant Thornton regarding internal control and any other relevant matters and the officer responses for review are brought to this audit scrutiny committee. The specific comments on these accounts will be in the Annual Governance Report (AGR) which is on this agenda. The accounts adjustments suggested/noted in the AGR can be discussed by the committee at that item together with the draft management letter.

3.6 Letter of Representation

Our external auditor requires assurances from us on various financial matters including statutory and contractual requirements, reasonableness of estimates and provisions, responsibility for internal controls, various disclosures and information provided. These are detailed in the attached letter which needs recommendation for approval at full Council.

4. RISKS

The major risks to be aware of are around future funding and the adequacy of reserves going forward as further action may be required to address the impacts of the Covid 19 pandemic. General reserves are maintained at a value higher than originally budgeted and earmarked reserves are held to help deal with future forecast funding changes and earmarked projects/schemes. Further clarity is required on the level of Government support for both this year and next. These risks may impact on the performance of treasury management and borrowing levels moving forward. Preparation and approval of the accounts are required by the Accounts and Audit Regulations 2015 and if these regulations are not adhered to the auditors could qualify the accounts.

5. MAIN IMPLICATIONS

The implications members need to be aware of are as follows:

5.1 Legal

The Financial Accounts for 2019/20 need to be produced and audited in accordance with the Accounts & Audit Regulations 2015.

5.2 Resources

The report notes that general reserves have been maintained at a level slightly higher than originally budgeted at 31 March 2020.

6. GROUPS CONSULTED

The draft accounts are advertised as available for inspection and are available on the website. The external auditors have been auditing the financial records and accounts during August and September. As required by legislation these will be updated with the final version including the external audit opinion and Grant Thornton annual audit letter when available.

7. ENVIRONMENTAL/CLIMATE CHANGE IMPACT

The revenue budget supports the appointment of a climate change officer and associated budget.

8. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)

10.00 a.m. on 28 October 2020

