

4 September 2019

## **AUDIT SCRUTINY COMMITTEE**

A meeting of the **Audit Scrutiny Committee** will be held on **Thursday, 12th September, 2019** in the **Council Chamber, Forde House, Brunel Road, Newton Abbot, TQ12 4XX** at **10.00 am**

PHIL SHEARS  
Managing Director

### **Membership:**

Councillors Morgan (Chairman), Rollason (Deputy Chairman), H Cox, Colclough, Mullone, J Petherick, Purser and Thorne

## **A G E N D A**

### **Part I**

1. **Apologies for Absence**
2. **Minutes of the previous meeting** (Pages 3 - 6)  
To approve and sign the minutes of the meeting held on 17 July 2019.
3. **Declarations of Interest**
4. **Matters of urgency/matters or report especially brought forward with the permission of the Chairman.**
5. **Grant Thornton Audit Findings Report - year ended 31 March 2019** (Pages 7 - 32)
6. **Statement of Accounts & letter of representation** (Pages 33 - 42)

7. **Internal Audit update report** (Pages 43 - 48)
8. **Financial Instructions and Contract Rules Waivers** (Pages 49 - 52)

**Part II: Items suggested for discussion with the press and public excluded**

Nil.

If you would like this information in another format, please telephone 01626 361101 or e-mail [info@teignbridge.gov.uk](mailto:info@teignbridge.gov.uk)

## **AUDIT SCRUTINY COMMITTEE**

**17 JULY 2019**

Present:

Councillors Morgan (Chairman), Rollason (Deputy Chairman), H Cox, Colclough, Mullone, J Petherick, Purser and Thorne

In Attendance:

Julie Masci Grant Thornton

Officers in Attendance:

Martin Flitcroft, Chief Finance Officer

Sue Heath, Audit Manager

Liz Gingell, Business Improvement Officer

Rosie Gitsham, Democratic Services Support Officer

Sarah Selway, Democratic Services Team Leader & Deputy Monitoring Officer

Richard Rainbow, Drainage and Coastal Manager

### **18. MINUTES OF THE PREVIOUS MEETING**

The minutes of the Audit Scrutiny Committee meeting held on 20 June 2018 were confirmed as a correct record and signed by the Chairman.

### **19. DECLARATIONS OF INTEREST**

None.

### **20. VERBAL UP FROM GRANT THORNTON - EXTERNAL AUDITORS**

Julie Masci, Engagement Lead, Grant Thornton gave a verbal update on the position with the Councils audit. She apologised to the Committee for the delay in Grant Thornton being able to undertake the annual audit by the 31 July 2019. This delay was due to the scope of work within Local Authorities audits unexpectedly increasing and resourcing challenges within the region given the specialist nature of the work. Grant Thornton accepted full responsibility for the deferment of the audit and made it clear this was not a reflection on the Council.

There was a statutory requirement to publish the Statement of Accounts by 31 July 2019, which would include a statement from Grant Thornton explaining why they had not been able to undertake the audit by the deadline.

The Public Sector Audit Appointments (PSAA) had been notified of the delay and they had subsequently written to all those Local Authorities affected.

In response to Members questions, Julie Masci, commented:

- It was hoped that the audit could be undertaken in August and brought back to a meeting of this committee in September and then on to Full Council.
- Audit fees had decreased by 40% in the past five years despite an increase in the scope of work - Grant Thornton could not commit to a reduction in fees.
- There was a general issue on resourcing capacity in the marketplace, not only at Grant Thornton – but particularly in the South West.
- Teignbridge was not the only Local Authority to experience this delay.
- Grant Thornton planned to bring resources in from other regions from end July 2019 to increase capacity in the South West.
- The PSAA and Grant Thornton had issued press statements to explain to situation.

The Chief Finance Officer explained that he was in contact with the PSAA regarding the matter and reflected on the impact on officer's capacity with the delay in the audit.

In response to Members questions, the Chief Finance Officer explained:-

- Work on the budgets for the following year was started in the late autumn so any delay in the audit past this time would have a negative impact.
- If the audit identified issues with Teignbridge accounts, the normal process set out by Grant Thornton would be followed.
- Grant Thornton's letter gave a clear explanation of the delay to the audit
- Would work with Communications Team to prepare a media response.

The Chairman thanked Julie Masci, for her attendance.

Members agreed that continued dialogue with Grant Thornton should take place regarding the dates for the audit to be undertaken.

## **21. STATEMENT OF ACCOUNTS 2018/19**

The Chief Finance Officer presented the statement of accounts 2018/19 to be approved by Full Council in July and then published as required by legislation. Any final adjustments following the audit would be reported to Full Council in September 2019 or when the audit is completed by Grant Thornton.

There were no changes to the draft accounts published in June and an explanation had been included regarding the audit delay.

**RECOMMENDED** that Full Council approved the statement of accounts 2018/19 subject to any final adjustments agreed with the external auditors which will be

reported to Council when the audit is completed.

## 22. CORPORATE AND STRATEGIC RISK REPORT

The Business Improvement Officer, presented the report which provided Members with an overview of the current status of the Strategic and Corporate Risk registers. She explained there were three types of risks managed by the Council - strategic, corporate and service risks. The Strategic and Corporate risk monitored higher risks and reported to the Committee twice yearly.

The Business Improvement Officer outlined the guide to risk mitigation status. Currently there were six high unmitigated risks the responsible officers for these service areas have actions in place to reduce the risks.

In response to Member enquiries, the Business Improvement Officer stated:

- CP09 – staff health & wellbeing – actions were being put in place to reduce this risk, although some factors that contributed to this risk were outside the Councils control. *Action to update this committee on progress with the actions for this risk – attached to minutes.*
- ST02 – A range of factors were considered to have influenced budget preparation these did include Brexit.
- GESP – a report would be brought forward to Executive on the future of GESP and the Local Plan.

**RESOLVED** that the Strategic and Corporate Risk review be approved.

## 23. INTERNAL AUDIT PLAN 2019-2020

The Audit Manager presented the Internal Audit Plan 2019/20 and the internal audit terms of reference (the Charter). Members were advised that the internal audit was undertaken by internal officers supplemented with external resources, the Devon Audit Partnership. The Internal Audit Plan was required to be agreed by Members, and the Charter gave internal audit the status to carry out its work independently and objectively.

In response to Members questions, the Audit Manager commented:-

- Internal Audit was undertaken on system and risk based reviews.
- 10 days was an estimated allocation of time needed to complete the audits, this was flexible and focused on quality of work. External providers were paid for 10 days work per audit.
- A Service Level Agreement was maintained between the external providers and the Audit Manager – Audit Manager oversaw this work, set out terms of reference for each audit, and ensured delivery and vetted draft reports to ensure quality.

**RESOLVED** that the Internal Audit Plan and Charter be approved.

#### **24. TEIGN ESTUARY AND COASTAL PARTNERSHIP UPDATE**

The Drainage and Coastal Manager in Economy and Assets presented an update on the Teign Estuary and Coastal Partnership (TECP) – Delivery Plan.

The Audit Manager advised that the Delivery Plan was an action that a previous meeting of the Committee had requested.

The TECP Delivery Plan 2019/20 provided a rolling summary of the Partnership activities with project progress against identified Strategic Priorities (of both the Council and the Partnership), and to encourage engagement with professional and public stakeholders.

In response to questions from Members, the Drainage and Coastal Manager responded:-

- 1.2 – Multi beam bathymetric survey, would scan the seabed to provide baseline data.
- The Harbour Commission manage all moorings.
- Coastal Community Fund was historic money used to bid for further funds.

**RESOLVED** that the report was noted.

Chairman

# The Audit Findings for Teignbridge District Council

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Year ended 31 March 2019

12 September 2019



# Contents



## Your key Grant Thornton team members are:

Julie Masci

Associate Director



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## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

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## Appendices

- A. Action plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Teignbridge District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<p><b>Financial Statements</b></p>	<p>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 Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and</li> <li>• 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.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), 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>Our audit work was completed on site during August 2019. Our findings are summarised on pages 4 to 11. At the time of writing this report we have identified no adjustments affecting the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion detailed in Appendix D, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> <li>- Checking the final amended financial statements,</li> <li>- Completion of our subsequent events review,</li> <li>- Receipt of the signed Letter of Representation, and</li> </ul> <p>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.</p> <p>Our anticipated audit report opinion will be unmodified.</p>
<p><b>Value for Money arrangements</b></p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Teignbridge District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised later in this report.</p>
<p><b>Statutory duties</b></p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>• To certify the closure of the audit.</li> </ul>	<p>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.</p>

## Acknowledgements

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

# Summary

## 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 have been discussed with management.

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; and

- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit strategy, as communicated to you on 21 March 2019.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding matters being concluded, we anticipate issuing an unqualified audit opinion following the consideration of this report at the Audit Committee meeting on 19 September 2019 and approval of the accounts by Council on 24 September 2019, as detailed in Appendix D. These outstanding items are set out on page 3 of this report.

## 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 calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Teignbridge District Council.

	Council Amount
Materiality for the financial statements	£1.522m
Performance materiality	£1.065m
Trivial matters	£0.076m
Materiality for Senior Officers Remuneration	£0.005m (bandings)

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1 Improper revenue recognition</b></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><b>Auditor commentary</b></p> <p>In our Audit Plan we set out that having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Teignbridge District Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we concluded that we do not consider this to be a significant risk for Teignbridge District Council. We have re-assessed this conclusion throughout our audit and have concluded that there has been no change to our assessment reported in the audit plan. Our work against this risk has not identified any issues.</p>
<p><b>2 Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• reviewed accounting estimates, judgements and decisions made by management,</li> <li>• tested journal entries,</li> <li>• reviewed unusual significant transactions, and</li> <li>• reviewed significant related party transactions outside the normal course of business.</li> </ul> <p>Our work against this risk has not identified any significant issues. We have noted that the S151 officer has the ability to, and has, posted journals. We have tested all of these journals and have identified no issues. Whilst we understand that the finance team is small it is not good practice for the S151 officer to post journals due to segregation of duties. We have therefore recommended in Appendix A that the Council review its arrangements for posting journals for future years.</p>

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

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### Valuation of land and buildings

The Council revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (c£83.8 million – Net Book Value) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of their internal valuer to estimate the current value as at 31 March 2019.

We therefore identified valuation of land and buildings, particularly revaluations, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

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### Auditor commentary

We have undertaken the following work in relation to this risk:

- Review of management's processes and assumptions for the calculation of the estimate.
- Review of the competence, expertise and objectivity of any management experts used.
- Review of the instructions issued to valuation experts and the scope of their work
- Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions.
- Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding.
- Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register
- Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.

Our work against this risk has not identified any significant issues.

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### Valuation of pension fund net liability

The Council'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 and group accounts.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£87m million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- Identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.
- Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.
- Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.
- Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.

Our work against this risk has not identified any significant issues.

Although our audit work set out above has not identified any issues in respect of this risk, discussion is ongoing in the sector regarding the potential impact of the McCloud judgement. The Council have discussed this with their Actuary, Barnett Waddingham and the potential impact is set out on page 7 of this report.

# Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	Auditor view
<p><b>1</b> <b>Potential impact of the McCloud judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>The Council requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £1.173m, and an increase in service costs for the 2019/20 year of £0.103m.</p> <p>Management's view is that the impact of the ruling is not material for Teignbridge District Council, and will be considered for future years' actuarial valuations.</p> <p>The Council has added a contingent liability note setting out this uncertainty.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p> <p>We have included this as an uncertainty within Appendix B.</p>

# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
<b>Provisions for NNDR appeals - £0.600m</b>	The Council is responsible for repaying a proportion of successful rateable value appeals. Management has not changed its approach to calculate the level of provision required. Appeals have stayed constant over recent years and the Council continues to take a prudent approach.	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>Reviewed the reasonableness of estimate, and</li> <li>Reviewed the adequacy of disclosure of estimate in the financial statements.</li> </ul>	

**Assessment**

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

# Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment
15	<p><b>Land and Buildings – Other - £83.882m</b></p> <p>Other land and buildings comprises specialised assets, 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 Council has engaged their Internal Valuer to complete the valuation of properties as at 1 April March 2019 on a five yearly cyclical basis. c20% of total assets were revalued during 2018/19. In addition to this a substantial number of other large value assets are also reviewed. The valuation of properties valued by the valuer has resulted in a net increase of £3.857m. Management have considered the year end value of non-valued properties, to determine whether there has been a material change in the total value of these properties. Management’s assessment of assets not revalued has identified no material change to the properties values. The total year end valuation of Other land and buildings was £83.882m, a net increase of £3.857m from 2017/18 (£80.025m).</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>• Assessed management’s expert to ensure suitably qualified and independent,</li> <li>• Assessed the completeness and accuracy of the underlying information used to determine the estimate,</li> <li>• Confirmed there were no changes to valuation method</li> <li>• Assessed the consistency of the estimate against near neighbours and using the Gerald Eve report, and</li> <li>• Assessed the adequacy of disclosure of the estimate in the financial statements.</li> </ul>	

**Assessment**

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment																								
<p><b>Net pension liability – £87.523m</b></p> <p style="text-align: center; font-size: 2em;">16</p>	<p>The Council’s total net pension liability at 31 March 2019 is £87.523m (PY £90.787m). The Council uses Barnett Waddingham to provide actuarial valuations of the Council’s assets and liabilities derived from the Devon County Pension Fund. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £6.812m net actuarial gain during 2018/19.</p>	<p>We have carried out the following work in relation to this estimate:</p> <ul style="list-style-type: none"> <li>Assessed management’s expert to ensure suitably qualified and independent,</li> <li>Assessed the actuary’s roll forward approach taken,</li> <li>We have used PwC as auditors expert to assess actuary and assumptions made by actuary. The table below summarises where Teignbridge fall in the acceptable ranges set by PwC:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <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>2.40%</td> <td>2.35 – 2.45%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.40%</td> <td>2.40 – 2.45%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Salary growth</td> <td>3.90%</td> <td>3.10 – 4.35%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.4</td> <td>22.2 – 25.0</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>24.4</td> <td>23.3 – 24.8</td> <td style="text-align: center;">●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>We have gained assurance over the completeness and accuracy of the underlying information used to determine the estimate,</li> <li>We have gained assurance over the reasonableness of the Council’s share of LGPS pension assets, and</li> <li>We have reviewed the adequacy of disclosure of the estimate in the financial statements.</li> </ul>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.40%	2.35 – 2.45%	●	Pension increase rate	2.40%	2.40 – 2.45%	●	Salary growth	3.90%	3.10 – 4.35%	●	Life expectancy – Males currently aged 45 / 65	22.4	22.2 – 25.0	●	Life expectancy – Females currently aged 45 / 65	24.4	23.3 – 24.8	●	
Assumption	Actuary Value	PwC range	Assessment																								
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**Assessment**

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
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- We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

# Going concern

## 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).

## Going concern commentary

### Management's assessment process

Management have carried out an assessment of the Council's ability to continue as a going concern. This was completed as part of the budget process. This process included undertaking a detailed cash flow forecast through to September 2020. As part of this assessment management have considered their general fund and earmarked reserves balances as well as their net current asset position on their balance sheet.

### Auditor commentary

- We have concluded that management's process is adequate, and that the assessment is supported by robust assumptions.

### Work performed

We have:

- discussed with management the financial standing of the Council;
- reviewed and challenged management's assessment of going concern assumptions and supporting information, e.g. medium term financial planning assumptions and cash flow forecasts;
- reviewed savings targets over the medium term as part of drawing our VFM conclusion.

### Auditor commentary

- We have reviewed management's assessment and have not identified any issues that would lead us to believe that there is a material uncertainty in the Council's assumption in preparing the financial statements on a going concern basis.

### Concluding comments

Following our review we are satisfied with management's assessment of use of going concern basis of accounting.

### Auditor commentary

- Based on the work completed we plan to issue an unmodified audit opinion in relation to going concern.
- Our audit work detailed in the VFM section of this report provides more commentary regarding the financial challenge faced by the Council.

# 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
① <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
② <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
③ <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
④ <b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council which is included in the Audit Committee papers.</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation request(s) to banks and financial institutions with which the Council have investments. This permission was granted and the requests were sent. We have received positive confirmations in all cases.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
⑦ <b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management were provided.</li> </ul>

## Other responsibilities under the Code

Issue	Commentary
<b>1 Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, 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.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect.</p>
<b>2 Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
<b>3 Specified procedures for Whole of Government Accounts</b>	<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>No detailed work is required in this area as the Council is below the thresholds set by the NAO.</p>
<b>4 Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2018/19 audit of Teignbridge District Council in our audit opinion.</p>

# Value for Money

## Background to our VFM approach

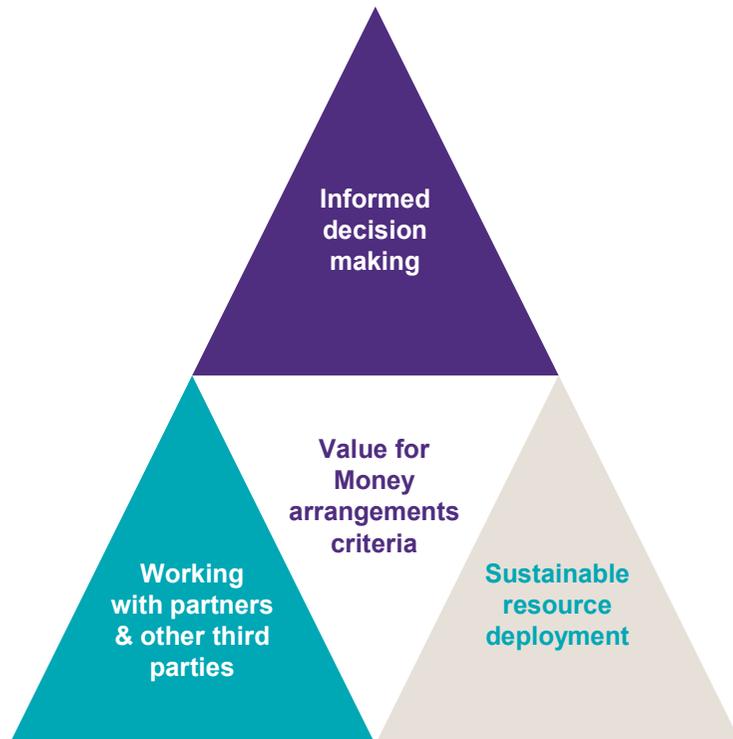
We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:

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## Risk assessment

We carried out an initial risk assessment in January 2019 and identified one significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 21 March 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We were further requested by members of the Audit Committee to review the Council reports in relation to the investment in the Mutual Bank and the proposed hotel development within Newton Abbot.

We carried out further work only in respect of the significant risks (and the additional areas set out above) we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial outturn position and medium term financial plan;
- Arrangements for delivering and monitoring savings plans;
- Council reports in relation to the investment in the Mutual Bank and the proposed hotel development within Newton Abbot.

We have reviewed the Council report in relation to the investment in the mutual bank. This clearly set out the risks around the investment. The purpose of the £50k investment was to open up banking services to remote communities rather than its primary purpose being to generate a return. The Council has impaired the investment to zero in the financial statements due to the associated risk and have no further investment in this scheme committed.

We have further reviewed the Council report and supporting working papers in relation to the hotel build in Newton Abbot. Whilst we have not identified any significant inadequacies in the arrangements in place we note that it is early days of this development and that there are risks associated with this and other projects of its type. This will be a significant investment for the Council in an area where they have not had previous experience.

Whilst arrangements to date are adequate, in that risks and rewards have been reported, ongoing work is needed to ensure that members are fully informed in ongoing decision making. We also recommend that as the Council start to look at more innovative ways of generating income that appropriate professional advice is sought at each stage.

We have set out more detail on our significant risk in relation to financial sustainability, the results of the work we performed, and the conclusions we drew from this work on the following page.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	<p><b>Financial Resilience</b></p> <p>Although the Council has a strong history of delivering its budget, Teignbridge District Council face a significant financial challenge over the medium term. This is a challenge faced by the majority of councils as Central Government funding reduces and costs pressures continue to rise.</p> <p>As at 31 March 2018, the Council had general fund reserves of £1.9m and earmarked reserves of £11m. In the latest budget summary the Council are forecasting achievement of its revenue budget for 2018/19.</p> <p>However, the current Financial Plan 2019-2022 shows that there will be a required use of reserves in 2020/21 (£1.3m) and 2021/22 (£1.2m).</p> <p>The Council is currently working on an income generation and cost reduction programme to limit the future impact on reserves.</p> <p>In response to this risk we will review the significant assumptions made in the Council's financial plans. We will further review the arrangements in place for developing</p>	<ul style="list-style-type: none"> <li>• During 2018/19 the Council has met its budget requirement through a planned use of £1.2m of earmarked reserves, following slippage of its capital programme in 2017-18. The deficit on the provision of services was £4.322m. General Fund Reserves have stayed consistent at c£1.9m.</li> <li>• The BEST 2020 process has generated a number of income generation and cost reduction schemes during 2018/19. Those that are deliverable by officers have been built into the 2019/20 budget, with others being for the consideration of members.</li> <li>• After the 2019/20 budget setting process there remains a cumulative c£2.5m budget gap to 2021/22. The Council also have a desire to increase the revenue contribution to capital which will increase this budget gap. This is currently being covered by the use of earmarked reserves.</li> <li>• If no action is taken then earmarked reserves will reduce from c£9.762m to c£7.114m.</li> </ul>	<p><b>Auditor view</b></p> <ul style="list-style-type: none"> <li>• Despite the challenges faced by the Council there are adequate arrangements in place to achieve financial resilience.</li> <li>• The Council have arrangements in place for addressing the budget gap and have a robust reserves levels should no action be taken.</li> <li>• The Council is however taking action to mitigate the impact on reserves.</li> <li>• Whilst some progress has been made in identifying further income generation/cost reduction schemes further work is still needed.</li> <li>• Decisions need to be made to ensure that those schemes identified are actioned in order to take effect by 2020/21.</li> </ul> <p>We recommend that as a matter of urgency the Council identify further income generation/cost reduction schemes to reduce the future budget gaps and minimise the use of the Council's reserves.</p> <p>We further recommend that the Council take action on the implementation of those schemes identified to date. This is to ensure the earliest possible impact.</p> <p><b>Management response</b></p> <p>We are working up schemes to deliver efficiencies, income generation and alternative ways of working and will be developing our investment strategy with a key focus on commercialism to assist in delivering income for the Council.</p>
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# Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the 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 December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

## 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 Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Housing Benefit Certification	8,400	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 this work is £8,400 in comparison to the total fee for the audit of £37,240 and in particular is not significant 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.
<b>Total</b>			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

# Action plan

We have identified four recommendations for the 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 the 2019/20 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
●	The Council have a budget gap of c£2.5m through to 2021/22. Whilst progress has been made in identifying schemes to address this gap, further work is need in order to reduce the impact on the Council's reserves.	<p>We recommend that as a matter of urgency the Council identify further income generation/cost reduction schemes to reduce the future budget gaps and minimise the use of the Council's reserves.</p> <p>We further recommend that the Council take action on the implementation of those schemes identified to date. This is to ensure the earliest possible impact.</p> <p><b>Management response</b></p> <p>Agreed – schemes are being developed and new ideas investigated. This work will be ongoing.</p>
24 ●	As part of our journals work we have noted that the S151 officer has the ability to, and has, posted journals. This is not good practice.	<p>We recommend that the Council review its arrangements for posting journals going forward.</p> <p><b>Management response</b></p> <p>As a small team it is not possible to avoid some input from the CFO. We are looking to change some of the work of the CFO going forward which will reduce the number of journals carried out.</p>
●	The Council are entering into, and considering new and innovative ways of delivering services to reduce costs and generate additional revenue. These are often in areas where the Council does not have the relevant technical experience.	<p>We recommend that as the Council progresses new and innovative ways of generating income that the appropriate technical advice is sought at each stage in the process. The accounting implications of each transaction should also be considered.</p> <p><b>Management response</b></p> <p>Agreed – we use internal and external advice as determined by each project/scheme.</p>
●	Our work identified that the Capital Financing Requirement in note 37 did not reconcile to the balance sheet.	<p>Whilst this is a disclosure difference the Council should ensure it is reviewed at the end of each period to the Capital Financing Requirement reconciles to the capital items on the balance sheet.</p>

## Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# 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

There were no adjustments noted as part of our work that impacted on the key statements and the reported net expenditure for the year ending 31 March 2019.

## 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 omission	Detail	Auditor recommendations	Adjusted?
<b>Financial Statements – Various</b>	During the course of the audit a number of small disclosure amendments were made to the financial statements. These have not been reported separately due to their insignificant nature.	<ul style="list-style-type: none"> <li>None.</li> </ul>	✓
<b>Capital Commitments</b>	The disclosure of Capital Commitments of £1million was found to be understated by £0.100million.	<ul style="list-style-type: none"> <li>None.</li> </ul>	✓
<b>Capital Financing Requirement (Note 37)</b>	Our work identified that the Capital Financing Requirement in note 37 does not reconcile to the balance sheet. Note 37 is overstated by £0.211million.	<ul style="list-style-type: none"> <li>Whilst this is a disclosure difference the Council should endeavour to ensure the Capital Financing Requirement reconciles to the capital items on the balance sheet.</li> </ul>	✓

# Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 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	Reason for not adjusting
<p>1 <b>Potential impact of the McCloud judgement</b></p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £1.173m, and an increase in service costs for the 2019/20 year of £0.103m.</p> <p>We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p>	<p>The figures provided by the actuary are an estimate, and not a formal actuarial valuation. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we are satisfied that the differences are not likely to be material. This issue will be considered as part of the next actuarial valuation exercise in 2019/20.</p> <p>The Council have added a contingent liability note setting out this uncertainty.</p> <p><b>Management response</b></p> <p>The potential additional pension liability from the McCloud case has not been adjusted for as the amount of the likely liability cannot be calculated with any degree of certainty at this point.</p>

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# Fees

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

## Planned Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £37,240 and assumes that the scope of the audits does not significantly change. Our audit approach, including the risk assessment, is continually reviewed throughout the year and fees are reviewed and updated as necessary as our work progresses.

## Update to our risk assessment – additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

## Additional Audit Fees

Area of work	Comment	£
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.	1,500
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this and made additional enquiries of the Council's external valuer to support this work.	1,500

# Fees

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

As a result of the variation to fees set out on page 21, we propose the revised fee for the audits will be £41,740 excluding VAT. This compares with an actual fee charged for the 2017/18 audit of £48,363 excluding VAT. The revised fee still provides a saving of £6,623 (or 14%) on the prior year fee. In light of the additional work performed to provide the statutory audit opinion over and above that performed in the prior year, we believe the revised fee still provides value for money.

## Total Audit Fees

	Actual fee 2017-18	Proposed 2018-19 fee	Final 2018-19 fee
Council Audit	£48,363	£37,240	£37,240
Additional Audit fees proposed (see analysis per page 22)			£4,500
<b>Total audit fees (excluding VAT)</b>	<b>£48,363</b>	<b>£37,240</b>	<b>£41,740</b>

## Non Audit Fees

Fees for other services	Fees
<b>Audit related services:</b>	£8,400
• Certification of Housing Benefits	
	<b>£8,400</b>

# Audit opinion

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

## Independent auditor's report to the members of Teignbridge District Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Teignbridge District Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Audit opinion (continued)

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided. The Audit Scrutiny Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Audit opinion (continued)

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Responsibilities of the Authority

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

### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Teignbridge District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julie Masci, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol



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TEIGNBRIDGE DISTRICT COUNCIL

**AUDIT SCRUTINY COMMITTEE**

CHAIRMAN: Cllr Sally Morgan

EXECUTIVE PORTFOLIO HOLDER: Cllr Alan Connett

**DATE:** 12 September 2019  
**REPORT OF:** Chief Finance Officer  
**SUBJECT:** STATEMENT OF ACCOUNTS 2018/19

**PART I**

**RECOMMENDATION**

**That the Audit Scrutiny Committee recommend the statement of accounts 2018/19 and letter of representation for approval to Council subject to any final adjustments agreed with the external auditors which will be reported to Council.**

**1. PURPOSE**

To bring an update on the statement of accounts 2018/19 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. A committee of the authority or the full Council must approve the statement for 2018/19 by the 31 July.
- 2.2** At the Audit Scrutiny meeting on 20 June the committee was introduced to the draft accounts and the results for the year 2018/19 including those for treasury management. The draft accounts were published on the 30 May in line with the draft accounts deadline of 31 May.
- 2.3** Our external auditors (Grant Thornton) were due to complete their audit and provide their signed opinion by the end of July. This did not take place as planned and the delayed audit has taken place in August and they will provide their signed audit opinion by the end of September. 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 24 September. Any likely adjustments will be discussed at today's meeting when Grant Thornton submit their findings. Final (subject to audit) accounts were brought to Audit Scrutiny on 17 July 2019 for approval and subsequently agreed at Full Council on 29 July 2019.
- 2.4** 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.

## TEIGNBRIDGE DISTRICT COUNCIL

Members can access the accounts via this link: [Teignbridge website](#) and a hard copy is available in the Democratic Services department.

- 2.5** 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. STATEMENT OF ACCOUNTS 2018/19**

- 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.
- 3.2** The draft balance sheet shows a net worth of £13.9 million at 31 March 2019 compared to a net worth of £5.6 million at 31 March 2018. This is due mainly to a decrease in the pension fund deficit and an increase in the value of our property, plant and equipment.
- 3.3** 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.
- 3.4 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 2018/19. 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.

## TEIGNBRIDGE DISTRICT COUNCIL

- 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.

### 3.5 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 £538,000 or 14% has been made against a year end balance of £3,714,000 for sundry debts. The majority of the debt relates to housing benefit overpayments where arrangement for regular affordable payments has been made. 20% is provided for small older debts still outstanding with specific appropriate provision for individual large debts. Write offs in the year were £111,000 or 0.8% of debt raised in year (2017/18 £157,000 or 1.0% of debt raised in year).
- The council tax gross debt at the year end was £3,402,000 (2017/18 £3,266,000) and write offs in the year were £165,000 (2017/18 £276,000). 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 £110 million. The bad debt provision for 2018/19 remains at £640,000 being 19% of the balance.
- For national non domestic rates the gross balance at the year end was £390,000 (2017/18 £397,000). Write offs were £78,000 (2017/18 £114,000). The value of the bad debt and appeals provision amounts to £2.25 million at 31 March 2019 to cover potential future bad debts and appeal adjustments on

## TEIGNBRIDGE DISTRICT COUNCIL

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 £39 million.

### **3.6 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.

### **3.7 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. MAIN IMPLICATIONS**

The main implication that Members need to be aware of is that preparation and approval of the accounts is required by the Accounts and Audit Regulations 2015 and that if these regulations are not complied with the external auditor could qualify the accounts.

## **5. GROUPS TO BE CONSULTED**

The draft accounts were advertised as available for inspection and published on the website. As required by legislation these were updated with a final version (subject to audit) in July and will be updated with the final version including the external audit opinion and Grant Thornton annual audit letter when available. There is also a brief introduction on the website.

## **6. WITNESSES TO BE CALLED**

None, but the external auditor will be in attendance at the audit scrutiny committee meeting when the accounts have been audited if there are any relevant questions that need to be answered.

## **7. TIME-SCALE**

Members' approval and publication of the accounts for the year ended 31 March 2019 is required by 31 July 2019. The audit of the accounts should be completed by 31 July or as soon as practically possible.

## TEIGNBRIDGE DISTRICT COUNCIL

### 8. CONCLUSION

The accounts have been prepared in accordance with the relevant legislation and current best professional practice. They await finalisation of the external audit by Grant Thornton and any final adjustments will be reported to Full Council for approval on 24 September 2019.

Martin Flitcroft  
Chief Finance Officer

<b>Wards affected</b>	All
<b>Contact for any more information</b>	Martin Flitcroft on 01626 215246 or Claire Moors on 01626 215242
<b>Background Papers (For Part I reports only)</b>	2018/19 Year End Working Files The Accounts and Audit Regulations 2015 The Chartered Institute of Public Finance and Accountancy Toolkit for Local Authority Audit Committees 2006 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 The Statement of Valuation Principles and Guidance Notes – The Royal Institution of Chartered Surveyors Financial Reporting Standards
<b>Key Decision</b>	Yes
<b>In Forward Plan</b>	Yes
<b>In O&amp;S Work Programme</b>	No

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## **FINANCIAL SERVICES**

**Telephone:** 01626 215246  
**e-mail:** martin.flitcroft@teignbridge.gov.uk  
**My Reference:** MF  
**Please ask for:** Martin Flitcroft

Grant Thornton UK LLP  
2, Glass Wharf  
Temple Quay  
Bristol  
BS2 0EL

24 September 2019

Dear Sirs

### **Teignbridge District Council**

#### **Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of Teignbridge District Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that

could have a material effect on the financial statements in the event of non-compliance.

- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi Except as disclosed in the financial statements:
  - a) There are no unrecorded liabilities, actual or contingent
  - b) None of the assets of the Council has been assigned, pledged or mortgaged
  - c) There are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

We have considered the unadjusted misstatements schedule in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year end.

- x Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- xii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xiii We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiv We have communicated to you all deficiencies in internal control of which management is aware.
- xv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements
- xviii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xix We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xx We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxi We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### **Annual Governance Statement**

xxii We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

### **Narrative Report**

xxiii The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

### **Approval**

The approval of this letter of representation was minuted by Full Council at its meeting on 24 September 2019.

Yours faithfully

Martin Flitcroft  
Chief Finance Officer

Councillor Richard Keeling  
Chairman of the Council

## AUDIT SCRUTINY COMMITTEE

**CHAIRMAN:** Councillor Sally Morgan

**DATE:** 12 September 2019  
**REPORT OF:** Audit & Information Governance Manager  
**SUBJECT:** INTERNAL AUDIT REPORT

### PART I

#### RECOMMENDATION

To note the report.

#### 1. PURPOSE

1.1 To advise members of progress against the Audit Plan and the outcomes of completed audits.

#### 2. BACKGROUND

2.1 The Audit Plan was approved by the Audit Scrutiny Committee in July and progress is reported at every meeting thereafter.

2.2 Internal audit reviews lead to an opinion on the effectiveness of the framework of risk management, control and governance of the area under review. Assurance opinions are graded as follows:

<b>Excellent</b>	☆☆☆☆	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
<b>Good</b>	☆☆☆	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.
<b>Fair</b>	☆☆	There is a basic control framework in place, but most of the areas reviewed were not found to be adequately controlled. Generally risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.
<b>Poor</b>	☆	Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

### 3. AUDIT PLAN 2019 – 2020 Progress

PROJECT	STATUS	OPINION
Governance Review and AGS	Complete	Good
Loans and Grants	In Progress	
DFG Assurance	In Progress	
LAHS Return	Complete	Good
LADR Return	Complete	Good
MHCLG Allocations Return	Complete	Good
Housing Finance	In Progress	
Ecoflex Scheme	In Progress	
Cemeteries	Complete	Good
Community Infrastructure Levy (CIL)	Complete	Good
Risk Register	-	
Benefits & Council Tax Support	-	
Council Tax	-	
Payroll	-	
NDR (Business Rates)	-	
Debtors	-	
Main Accounting & Budgetary Control	-	
Partnerships and Funding Agreements	-	
Empty Homes	-	

3.1 Summarised findings for audits recently completed is shown in **Appendix A** below.

3.2 Members of the team continue to support corporate projects with roles in the One Teignbridge transformation project; the Infrastructure Requirements Board; Procurement Champions Group, and co-ordinating the National Fraud Initiative.

### 4. CONCLUSION AND RECOMMENDATION

4.1 Members are recommended to note the report.

**Sue Heath**  
**Audit & Information Governance Manager**

Wards affected	N/A
Contact for any more information	Sue Heath, Audit Manager 01626 215258
Background Papers (For Part I reports only)	Audit Files Final Reports 2019–2020
Key Decision	N
In Forward Plan	N
In Audit Scrutiny Work Programme	Y

**TEIGNBRIDGE DISTRICT COUNCIL  
AUDIT SCRUTINY COMMITTEE**

**Summary of Internal Audits Completed**

PROJECT TITLE	SUMMARY
<b>Governance Review and Annual Governance Statement (AGS)</b>  <b>Audit Opinion:</b> <b>Good ☆☆☆</b>	<p>The AGS is a statutory requirement. Governance principles were assessed using the CIPFA / SOLACE framework. The statement explains how Teignbridge has complied with the principles and also meets the requirements of the Accounts and Audit Regulations (England) 2015. The AGS is included in the Financial Statements. It was reported in detail at the June 2019 meeting.</p>
<b>MHCLG Allocations</b>  <b>Audit Opinion:</b> <b>Good ☆☆☆</b>	<p>The Government introduced an evidence collection exercise to help understand how the national allocations framework is working across the country. As part of this the Ministry of Housing, Communities &amp; Local Government (MHCLG) sent a survey to all local authority housing authorities to get a better understanding of how social homes (both general needs and supported) are being allocated. Submission of data was via DELTA, the Government's online collection and reporting system and had to be actioned by the 5<sup>th</sup> July 2019.</p> <p>The Auditor reviewed the data online before it was submitted and found it to be accurate and complete. The submission deadline date was met.</p>
<b>Local Authority Housing Statistics (LAHS)</b>  <b>Audit Opinion:</b> <b>Good ☆☆☆</b>	<p>Local Authority Housing Statistics are required to be reported annually to the Ministry of Housing, Communities and Local Government (MHCLG). The audit was requested by the Head of Service Delivery and Improvement to verify the accuracy of data prior to submission on the DELTA system.</p> <p>The Auditor was satisfied the data to be submitted could be verified to the systems from which it derived, calculations were correct and figures accurate. The deadline date for submission was met.</p>
<b>Local Authority Data Return (LADR)</b>  <b>Audit Opinion:</b> <b>Good ☆☆☆</b>	<p>This is a new collection process for rents data. Whilst voluntary this year it will be mandatory next year when local authority registered providers will be included in the Regulator of Social Housing (RSH) Rent Standard from April 2020. Data is submitted using NROSH+ the Regulator's data collection website and had to be actioned by the 31<sup>st</sup> July 2019.</p> <p>Data was reviewed online prior to submission and found to be in line with definitions and requirements. The submission deadline date was met.</p>

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**TEIGNBRIDGE DISTRICT COUNCIL  
AUDIT SCRUTINY COMMITTEE**

**Summary of Internal Audits Completed**

PROJECT TITLE	SUMMARY
<p><b>Community Infrastructure Levy (CIL)</b></p> <p><b>Audit Opinion:</b> <b>Good ☆☆☆</b></p>	<p>A review was carried out to test processes in place to determine CIL liability and contributions; ensure calculations are accurate; relief and exemptions only granted where entitlement exists; recovery action instigated for non-payment and penalties and surcharges levied as required. An update on progress on the implementation of recommendations made in the previous report was also obtained.</p> <p>We tested a sample of applications and were able to confirm they were processed in line with CIL regulations. We undertook data comparisons of CIL liabilities between systems for assurance that data was accurate and complete.</p> <p>Exacom (new IT system) is now fully implemented and is working well. Staff have received training and procedures are being updated to cover the new processes.</p>
<p><b>Cemeteries</b></p> <p><b>Audit Opinion:</b> <b>Good ☆☆☆</b></p>	<p>This audit reviewed the controls in place to manage the Council's four Cemeteries (Dawlish, Teignmouth, Newton Abbot and Kingsteignton).</p> <p>Key risks were covered as follows:</p> <ul style="list-style-type: none"> <li>• Inaccurate registers and cemetery records</li> <li>• Loss of data</li> <li>• Income not collected, or incorrectly recorded</li> <li>• Wrong grave dug or wrong body / ashes buried</li> </ul> <p>The service was found to be well managed with controls operating effectively for the areas tested.</p>

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**TEIGNBRIDGE DISTRICT COUNCIL  
AUDIT SCRUTINY COMMITTEE**

**Summary of Internal Audits Completed**

<b>Follow Up Audits</b> The effectiveness of audits is increased if agreed actions are implemented. The audit cycle allows for a follow up check to be made on any important recommendations at an agreed time after each review. Details of completed follow ups are shown below:	
<b>Housing Allocations</b>  <b>Audit Opinion:</b> <b>Good ★★★</b>	Original audit: January 2019    Follow Up: June 2019  Two recommendations were made both of which have been actioned.
<b>Community Infrastructure Levy (CIL)</b>  <b>Audit Opinion:</b> <b>Good ★★★</b>	Original audit: November 2017    Follow Up: June 2019  An update on progress of 8 recommendations was obtained. Five are complete and work continues on the other three.
<b>Housing Contracts Management</b>  <b>Audit Opinion:</b> <b>Original: Fair ★★</b> <b>Revised: Good ★★★</b>	Original audit: September 2018    Follow Up: January and May 2019  Six recommendations were made and all of these were found to be in progress in the January 2019 follow up. A further follow up was undertaken in May. Five recommendations are complete and 1 is on-going. The audit opinion has been amended to good.
<b>Travel and Subsistence</b>  <b>Audit Opinion:</b> <b>Good ★★★</b>	Original audit: November 2018    Follow Up: May 2019  Seven recommendations were made. A new system, iTrent, is currently being implemented and the recommendations will form part of developing the processes and procedures for the new system. The “go-live” is anticipated for October 2019 and the recommendations will be completed by then or soon after. A further follow up is therefore planned for October.
<b>Risk Management</b>  <b>Audit Opinion:</b> <b>Good ★★★</b>	Original audit: June 2018    Follow Up: April 2019  All four recommendations have been implemented.

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TEIGNBRIDGE DISTRICT COUNCIL

**AUDIT SCRUTINY COMMITTEE**

**CHAIRMAN:** Councillor Sally Morgan

**DATE:** 12 September 2019

**REPORT OF:** Audit & Information Governance Manager

**SUBJECT:** FINANCIAL INSTRUCTIONS and  
CONTRACT PROCEDURE RULES – WAIVERS

**PART I**

**RECOMMENDATION**

**That the report is noted.**

**1. PURPOSE**

1.1 To inform Members of the number of times the Financial Instructions and Contract Procedure Rules have been waived and the reasons for this.

**2. BACKGROUND**

2.1 The Financial Instructions and Contract Procedure Rules provide the framework for managing the Council’s financial affairs. They apply to every member and officer of the Council and anyone acting on its behalf.

2.2 Sometimes there are instances where the rules cannot be followed and requests are made to waive them. One of the following criteria must be met:

<b>1</b>	<b>LIFE OR DEATH</b> There is significant chance that the life or health of officers, members, or the public will be put at real risk.
<b>2</b>	<b>INCREASED COST / LOSS OF INCOME</b> The Council will incur significant avoidable costs or lose significant income.
<b>3</b>	<b>LIMITED MARKETS</b> The Council would be wasting its time tendering as supply of the product or service is demonstrably restricted to one or few businesses.
<b>4</b>	<b>URGENT ACTION REQUIRED</b> The Council would be criticised for failing to act promptly.

## TEIGNBRIDGE DISTRICT COUNCIL

### 3. WAIVERS

3.1 The following waivers have been processed since the June 2019 monitoring report:

Proposing Officer	Proposal / Reason	Approval
Tom Butcher  Senior Estates Surveyor	<b>Shops 6 – 10 and Shop 5 Market Walk, Newton Abbot</b> Direct appointment for works to Shops 6 – 10 and Shop 5, following marketing since September 2018.  Value: <b>£37,500</b>  <b>Reason:</b> Increased Cost / Loss of Income, Urgent Action Required.	Tony Watson  Interim Head of Commercial Services
Sue Heath  Audit & Information Governance Manager	<b>Commissioning of audit days from the Devon Audit Partnership (DAP)</b> Continuation of services provided by DAP for the 2019 – 2020 supplementary audit days.  Value: <b>£17,000</b>  <b>Reason:</b> Increased Cost / Loss of Income	Martin Flitcroft  Interim Head of Corporate Services, S151 Officer
Ruth Adams  Programme Manager	<b>Supply of strategic and specialist advice to the South West Regional Coastal Monitoring Programme (SWRCMP)</b> To extend engagement of Exe Act Services for a further year to ensure support the funding bid for the next phase of the programme. Coastal monitoring spend is externally funded by the Environment Agency.  Value: <b>£48,000</b>  <b>Reason:</b> Increased Cost / Loss of Income, Limited Markets	Tony Watson  Interim Head of Commercial Services

### 4. WAIVER PROCESS

- 4.1 The current waiver process requires an Internal Audit opinion to be obtained prior to the waiver being signed by the authorised signatory. As most waivers involved the procurement of services, it is proposed to add the requirement for the procurement officer to be consulted.
- 4.2 As the Audit Scrutiny Committee's role is to have oversight of the Financial Instructions and Contract Procedure rules, members are recommended to approve this minor change.

## TEIGNBRIDGE DISTRICT COUNCIL

### 5. RECOMMENDATION

That the report be noted and the minor amendment to the Waiver process be approved.

**Sue Heath**  
**Audit & Information Governance Manager**

<b>Wards affected</b>	-
<b>Contact for any more information</b>	<i>Sue Heath, Audit Manager 01626 215258</i>
<b>Background Papers (For Part I reports only)</b>	<i>Financial Instructions Waivers File – Internal Audit</i>
<b>Key Decision</b>	-
<b>In Forward Plan</b>	-
<b>In O &amp; S Work Programme</b>	-

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