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12 June 2019

AUDIT SCRUTINY COMMITTEE

A meeting of the **Audit Scrutiny Committee** will be held on **Thursday, 20th June, 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 Chair), H Cox, Colclough, Mullone, J Petherick, Purser and Thorne

Please Note: Filming is permitted during Committee meeting with the exception where there are confidential or exempt items, which may need to be considered in the absence of the press and public. By entering the Council Chamber you are consenting to being filmed.

A G E N D A

Part I

1. **Apologies for Absence**
2. **Minutes of the previous meeting** (Pages 1 - 6)
To approve and sign the minutes of the meeting held on 21 March 2019.
3. **Declarations of Interest.**
4. **Local Government (Access to Information) Act 1985 -
Exclusion of Press and Public**

It is considered that the Committee would be unlikely to exclude the press and public during consideration of the items on this agenda, but if it should wish to do so,

the following resolution should be passed:-

RECOMMENDED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting of the particular item(s) on the grounds that it involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs of Part 1 of Schedule 12A of the Act.

5. **Matters of urgency/matters or report especially brought forward with the permission of the Chairman.**
6. **Public Questions (if any)**
7. **Members Questions (if any)**
8. **Audit Progress Report - Grant Thornton** (Pages 7 - 18)
9. **Audit Fee Letter 2019-2020 - Grant Thornton** (Pages 19 - 22)
10. **Internal Audit Annual Report 2018-2019** (Pages 23 - 28)
11. **Governance Review and Annual Governance Statement** (Pages 29 - 38)
12. **Draft Final Accounts 2018-2019 and Treasury Management Report** (Pages 39 - 48)
13. **Financial Instructions Waivers** (Pages 49 - 52)

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AUDIT SCRUTINY COMMITTEE

21 MARCH 2019

Present:

Councillors Hockin (Vice-Chairman), Dewhirst, Connett, Haines, Peart, Thorne and Wrigley

Apologies:

Councillors Clarence and Jones

Officers in Attendance:

Sue Heath, Audit Manager

Amanda Pujol, Interim Head of Service Delivery and Improvement

Clare Moors, Principal Technical Accountant

Graeme Smith, Coastal Officer

Mark Devin, Democratic Services Officer (Exeter City Council)

Julie Masci, Engagement Lead Grant Thornton

Andrew Davies, Engagement Manager Grant Thornton

1. MINUTES OF PREVIOUS MEETING

The minutes of the Audit Scrutiny Committee meeting held on 13 December 2018 were confirmed as a correct record and signed by the Chairman.

2. DECLARATIONS OF INTEREST.

The following Member declared an interest as indicated:-

COUNCILLOR	MINUTE
Connett	6

3. EXTERNAL AUDIT PLAN - GRANT THORNTON

Julie Masci, Engagement Lead from Grant Thornton, presented the External Audit Plan for year ending 31 March 2019, which detailed the approach and scope of work for 2018/19.

Members were informed of the significant risks, noting that any significant findings would be communicated in the Audit Findings (ISA 260) report and that the agreed Materiality was £1.522M, equating to 2% of the prior year gross expenditure. Value for Money arrangements were discussed, which identified significant risks and that an interim visit to monitor Council systems for the audit logistics would be fed back in July 2019, however the Audit fees had reduced to £37,240.

It was explained the External Auditor were required to report on work for the Council, however the Housing Benefit Audit, would require a separate appointment, following changes made by the Public Sector Audit Appointments (PSAA).

In response to questions from Members, the Engagement Lead explained:-

- The £68,000 materiality level, ensured a set level for truth and fairness and anything above that figure would require a management opinion. Reducing the threshold level would require more testing of accounts with a cost to the Council. Errors under the £68,000 level were logged and anything above the level was reported to the Audit Scrutiny Committee.
- Significant risks were allocated under the code of practice, which identified challenges at the Council and areas to focus on.

Resolved

That the Audit Scrutiny Committee note the report.

4. AUDIT PROGRESS REPORT - GRANT THORNTON

Andrew Davies, the Audit Manager from Grant Thornton, presented the progress update report, highlighting Grant Thornton's External Audit commitment and that Teignbridge District Council would provide a response to this later in the year. Member's attention was drawn to the key progress points, which identified a resilience risk, which work had started on.

The Audit Manager (Grant Thornton) commented on the areas of significant risk, substantive testing and journal entry controls, noting that the Council must publish its expenditure when it undertakes sampling expenses and that errors had been identified with the grants certification work and fees charged for 2017/18, and would be followed up.

Members discussed the information provided to them for significant decision making, notably on land acquisition, SW Mutual Bank, and Newton Abbot Town Centre. Members discussed the options for the External Auditors to address reports brought forward to them. The External Auditors agreed to review the three reports on behalf of the committee.

In response to questions from Members, the Audit Manager explained:-

- The Housing Benefit Audit was undertaken separately, following the appointment of an auditor and that it didn't reduce the materiality figure as the expenditure remained in the financial statements;
- Until Universal Credit was brought in, the impact to the Housing Benefit subsidy and benefits would be unknown. The focus of the Housing Benefit audit was to provide assurance to the Department for Work and Pensions (DWP) audit claim was that it was accurate;

- Council reports were not specifically reviewed by Grant Thornton, any concerns about the reports should be presented to the Monitoring Officer;
- Unless an issue was raised about the lack of training, it would be not be highlighted by Grant Thornton;
- There was a mixed approach to appointing independent persons to sit on committees across different Local Authorities.

Resolved

That the Audit Scrutiny Committee note the report.

5. UPDATED TREASURY MANAGMENT LIST

The Principal Technical Accountant presented the Treasury Management list, which had been approved at Full Council on 18 February, as part of the budget report. She explained where changes had been made, highlighting the new external borrowing liability benchmark chart, which was based on the current Capital Programme. The chart would be used to support decision making for determining and managing borrowing. Other changes noted, were the inclusion of Non-Financial investments to the list and that Natwest Bank had been moved to a tier one lender.

In response to Member questions, the Principal Technical Accountant, explained:-

- Information from the Capital Programme was used to produce charts and cash flow forecasts to support the monitoring of both internal and external borrowing;
- The Liability Benchmark was a tool which allowed measured borrowing decisions to be made in relation to the amount and maturity profile of loans, which managed the interest rate exposure. The chart, shown in the report, showed that the Council's net exposure to external borrowing in the four year period of 2019-2023, would be around £45 Million if all the proposed projects went into the Capital Programme.
- To provide assurance to Members, the Treasury Management function received an annual audit to ensure key controls were in place and that procedures were followed. The Treasury Management function consistently received an excellent audit assurance opinion;

Resolved

That the Audit Scrutiny Committee note the report.

6. INTERNAL AUDIT OF THE HOUSING CONTRACTS MANAGEMENT - VERBAL REPORT

The Interim Head of Service Delivery and Improvement, presented a verbal update report, explaining that a separate audit had been requested on the shared service arrangements. She explained the completed and outstanding actions and highlighted that there were a significant number of third party contracts for the Housing options to support homelessness.

She discussed the development of the Housing Contract Procurement, Monitoring process and contracts, noting that the compliance performance reports at the end of the year for the homeless were focussed on outcome.

In response to questions from Members, the Interim Head of Service Delivery and Improvement explained:-

- The age range considered for young people in the Teignbridge Contract for homelessness was 16-17 years of age and the criteria for classifying young people was based on the homeless legislation. There were some circumstances to support adults, but classification was done on a case by case basis;
- There were separate agreements for the Young Devon Homeless Prevention services for Devon County and Teignbridge District Councils.

Resolved

That the Audit Scrutiny Committee note the report.

7. TEIGN ESTUARY AND COASTAL PARTNERSHIP AUDIT - VERBAL UPDATE

The Coastal Officer presented a verbal update report on the Teign Estuary and Coastal Partnership audit, explaining that there had been stakeholder drop in sessions held in Teignmouth, Newton Abbot and Dawlish to inform priority setting for 2019-2024. This consultation had also been online and formed a significant part of the Forum at the end of February attended by 140 individuals/groups. The results had been presented to the Partnership's Steering Group on the 19th March, who were scheduled to sign off the five-year priorities in June. This was the reason for the report coming to the Audit Scrutiny Committee in a verbal format.

He updated Members on the proposed format of the Teign Estuary and Coastal Partnership Action Plan which would be used at the next Steering Group. The format highlights longer term priorities as well as accommodating smaller tasks/projects to be undertaken as opportunities such as availability of external resources became available. It was also understood that two further prospective Partners were considering joining the Partnership as formal members.

Members welcomed the update from the Coastal Officer and requested additional information be made available in a written report for the July meeting.

Resolved

That the Audit Scrutiny Committee note the report.

8. INTERNAL AUDIT PROGRESS REPORT

The Audit Manager presented the Internal Audit Progress Report which advised Members of the recent progress against the Audit Plan and the outcomes of the completed audits. Members noted that of the 23 audits, 19 had been completed with three outstanding. The Audit Manager explained that the Human Resources recruitment had been postponed until the new iTrent system went live in October 2019.

The Audit Manager commented on the external quality review to measure the service against the Public Sector Audit Standards, and that the results would be presented at the next Audit Scrutiny. She referred Members to the information governance update in the report, providing an update on the work completed by the audit team. There had been no reportable data breaches reported and that 23 Subject Access Requests (SAR) had been received since GDPR.

In response to questions from the Members, the Audit Manager explained:-

- The response rate for the Freedom of Information (FOI) received at Teignbridge District Council was considered to be good and the Council complied with the FOI Code of Practice where possible;
- The Payroll Audit was postponed due to the iTrent project;
- There was a process in place for FOI requests, where they are deemed manifestly unreasonable, were repeating the same requests or were vexatious;
- The iTrent project was part of a Strata convergence project with other Local Authorities;
- A report on lessons learnt for future projects had been requested, and findings could be presented to the Audit Scrutiny Committee.

Resolved

That the Audit Scrutiny Committee note the report.

9. FINANCIAL INSTRUCTIONS AND CONTRACT RULES WAIVERS REPORT

The Audit Manager presented the report which informed Members of the number of times the Financial Instructions and Contract Procedure Rules had been waived and the reasoning for it. She referred Members to the six waivers in the report which had been processed since the December 2018 monitoring report and noted that they were all valid. The Photo-voltaic panels waiver had been included although it was found that the relevant quotations had been obtained, hence a waiver was not strictly necessary.

Resolved

Audit Scrutiny Committee (21.3.2019)

That the Audit Scrutiny Committee note the report.

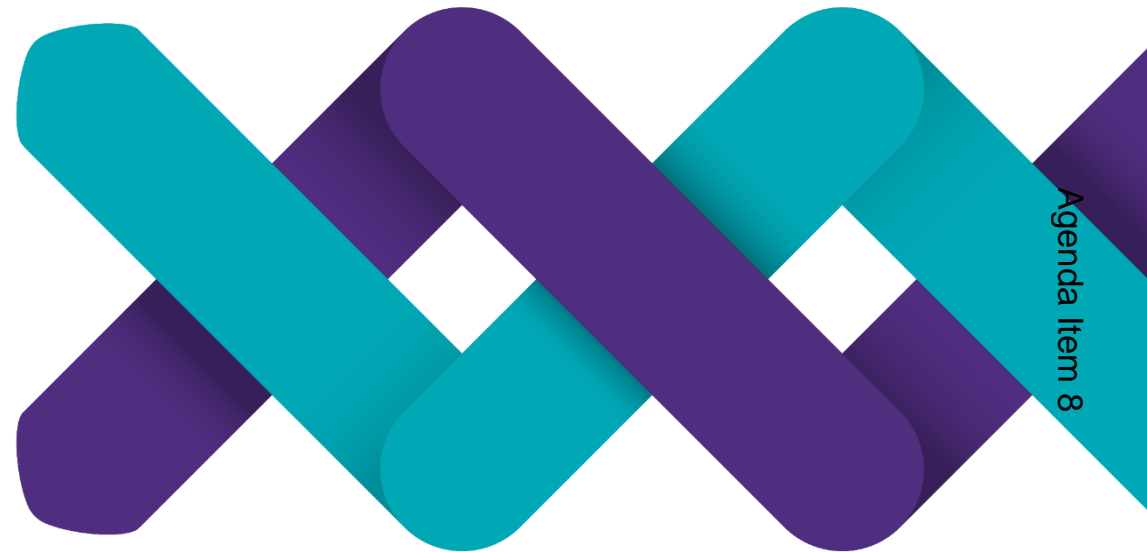
Chairman

Audit Progress Report and Sector Update

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Teignbridge District Council
Year ending 31 March 2019

13 June 2019



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Introduction



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This paper provides the Audit Scrutiny Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Council, or where not directly relevant of interest; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes).

Members of the Audit Scrutiny Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at June 2019

Financial Statements Audit

Our audit risks were reported to you in our Audit Plan in March 2019 at Audit Scrutiny Committee. We also reported the results of our interim work at the March 2019 Audit Scrutiny committee.

Since the March Audit Scrutiny Committee we have been working closely with officers on changing and emerging financial reporting requirements as the draft financial statements are produced.

At the time of writing this report we have received the draft financial statements. These were submitted for audit by the statutory deadline (30 May 2019).

The statutory deadline for the Council to publish its accounts is 31 July 2019.

The final accounts audit will commence during June with our high level review of the draft financial statements and completion of our VFM work. Our onsite work is due to begin on the 1 July with findings reported to you in our Audit Findings Report.

We will present our report at the 17 July Audit Scrutiny Committee meeting and issue our audit opinion by the 31 July deadline.

We have recently issued the fee letter for the 2019/20 audit. This letter reports the fee set by PSAA. The fee set for 2019/20 is £37,240. This has been held at the 2018/19 level. Our fee letter is an item on this agenda.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body 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 three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We have undertaken our initial risk assessment and have set out in our Audit Plan the significant risk identified. The risk identified is:

- The arrangements for achieving Financial resilience.

We have met with officers to discuss this risk and our work in this area continues. We will report the findings of our work against this risk in the Audit Findings Report by the deadline in July 2019.

Other areas

Certification of claims and returns

Since the March 2019 Audit Scrutiny Committee report officers have confirmed our appointment to complete the certification of the Council's 2019/20 HB subsidy return. This work will be completed in August 2020 to November 2020.

Meetings

We met regularly with the Finance team as part of our liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Teignbridge District Council was represented at our Financial Reporting Workshop in February 2019.

These workshops are designed to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming the audit fee for 2018/19.	March 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Scrutiny Committee setting out our proposed approach in order to give an opinion on the Council's 2018/19 financial statements.	21 March 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	21 March 2019	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Scrutiny Committee.	17 July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	17 July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work.	November 2019	Not yet due

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider Local Government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Audit Scrutiny committee members, as well as any accounting and regulatory updates.


- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

National Audit Office – Planning for new homes

The National Audit Office (NAO) has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes  year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The report concludes that the Department and government more widely need to take this much more seriously and bring about improvement if they are to meet their ambition of 300,000 new homes per year by the mid-2020s.

The report is available on the NAO website:

<https://www.nao.org.uk/report/planning-for-new-homes/#>



NAO Report

Challenge question:

Has your Authority got a robust plan in place to deliver the additional houses needed over the next five years?



National Audit Office – Pressures on children’s social care

The Local authorities in England have statutory responsibility for protecting the welfare of children and delivering children’s social care. In extreme cases they may use their statutory powers to place children in need on protection plans or even take them into care. Local authorities are also responsible for delivering non-statutory services for all children and young people, such as children’s centres. The Department for Education (the Department) provides statutory guidance on delivering these functions. It also has overall policy responsibility for children’s services, and has the strategic vision that all vulnerable children, no matter where they live, should have access to high-quality support by 2022.

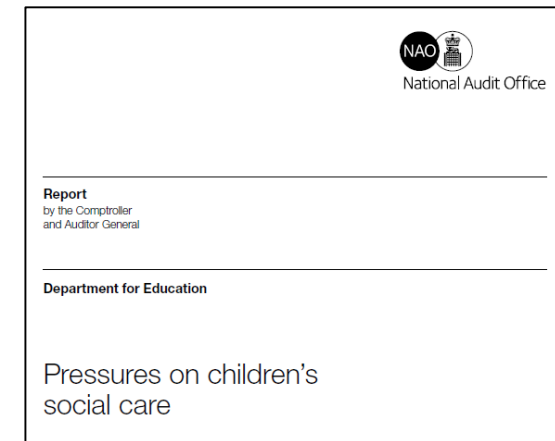
The report sets out recent trends in pressures on children’s social care demand and activity and the response of both national and local government to these pressures. It also sets out analysis the NAO conducted about what is causing variations in children’s social care demand and activity between different local authorities. The report covers:

- the pressures on children’s social care;
- the response of national and local government to increasing demand for children’s social care; and
- NAO analysis of what is causing variations in demand for children’s social care between local authorities.

The report notes that, while the Department has put in place a programme of reform, it still does not fully understand what is driving demand for children’s social care or why there is such wide variation between local authorities in their children’s social care activity and costs. It has not yet done the work to tie together available sources of information and therefore lacks a well-informed pathway to achieve its goal. While the Department has recognised the need for this analysis, it will not complete the work until summer 2019. Even if its analysis is completed successfully it will be a tall order for the Department to achieve its goal within three years.

The report is available on the NAO website:

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>



For information only



CIPFA – Social Care risk tool

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Directors of Adult Social Services' (ADASS) have updated the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.

The tool's objective is to help authorities assess whether unsustainable financial pressures might be faced by the adult social services department. It seeks to do this by assessing the extent to which various risk factors apply. This is the third version of the risk tool and it has been expanded to include new risks that have emerged since the previous version. In addition, a number of risks have been revised to make them clearer.

The risk assessment adopts a survey format and covers the following areas:

- savings;
- local pressures; and
- culture and relationships.

Each of the areas above includes a series of questions (or indicators), and authorities are required to assess whether the indicators are strongly present (score of 5); only present to some extent (scores 2 to 4); or not at all (score of 1). The total score helps to give an indication of where the authority lies. The maximum score is 195 (there are 39 questions altogether) which represents the highest risk possible. Some of the metrics (particularly those relating to unit costs) are more illustrative than prescriptive and local authorities may wish to adjust these to reflect their local circumstances.

To download the tool:

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>



For information only



Links

Grant Thornton

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

<https://www.nao.org.uk/report/planning-for-new-homes/#>

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>

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Ministry of Housing, Communities and Local Government

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

CIPFA

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>

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Our ref: JM/AD/T07000011/Fee Letter 2019-20

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8 April 2019

Dear Martin

Planned audit fee for 2019/20

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

All grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £37,240 which is the same as in 2018/19.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	9,310
December 2019	9,310
March 2020	9,310
June 2020	9,310
Total	37,240

Outline audit timetable

We will undertake our audit planning in December 2019 to January 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out the risks identified and our audit approach. We will undertake our interim audit procedures in January 2020 to March 2020. Upon completion of this phase of our work we will issue our interim audit findings report setting out the results of this work. Our final accounts audit and work on the whole of government accounts return will be completed in June 2020 to July 2020, and work on the VfM conclusion will be completed in March 2020 to July 2020.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2019 to March 2020	Audit plan and Interim Audit Findings report	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.

Phase of work	Timing	Outputs	Comments
Final accounts audit	June 2020 to July 2020	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	March 2020 to July 2020	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2020	Opinion on the WGA return (where applicable)	This work will be completed alongside the accounts audit.
Annual audit letter	August 2020	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Engagement Lead	Julie Masci	0292 034 7506	julie.masci@uk.gt.com
Engagement Manager	Andrew Davies	0117 305 7844	andrew.davies@uk.gt.com
In Charge Auditor	Jonathan Stancombe	0117 305 7733	jonathan.p.stancombe@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed, and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Jon Roberts, our Head of Assurance via jon.roberts@uk.gt.com.

Yours sincerely



Julie Masci

Engagement Lead

For Grant Thornton UK LLP

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TEIGNBRIDGE DISTRICT COUNCIL

AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Councillor Sally Morgan

DATE: 20 June 2019

REPORT OF: Audit Manager

SUBJECT: INTERNAL AUDIT
ANNUAL REPORT AND OPINION 2018-2019

PART I

RECOMMENDATION

To note the report, and to consider it as a source of assurance to support the Council's Annual Governance Statement.

1. PURPOSE

- 1.1 This report summarises the work of internal audit during 2018-2019 and provides the Audit Manager's annual opinion on the systems of governance, risk management, and control for the year ending 31 March 2019.

2. BACKGROUND

- 2.1 The Accounts and Audit Regulations 2015 require local authorities to:

"undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

- 2.2 An annual report must be produced which gives an opinion on the adequacy of the control framework. The annual report should cover:

- the Audit Manager's overall audit opinion
- a summary of the work that supports the opinion
- the results of internal audit's quality assurance and improvement programme
- a statement on conformance with the Public Sector Internal Audit Standards

- 2.3 In giving the audit opinion, it should be noted that the most that any internal audit service can provide is a *reasonable*, not *absolute* assurance that there are no major weaknesses in the Council's processes.

TEIGNBRIDGE DISTRICT COUNCIL

3. INTERNAL AUDIT OPINION 2018-2019

3.1 The following issues are taken into account when forming the opinion:

- the results of all completed audits and follow up action in respect of previous audits
- management's acceptance of our findings and recommendations which was positive with action plans agreed
- the effects of any significant changes to systems or objectives
- any limitations that may have been placed on the scope of internal audit
- the quality of internal audit performance
- the results of the work of other sources of assurance where possible
- insight from our internal involvement with various corporate working groups and projects, and attendance at management team meetings

Audit Work

3.2 Internal audit work has been carried out broadly in line with the 2018-2019 Audit Plan which was approved by the Audit Scrutiny Committee in March 2018.

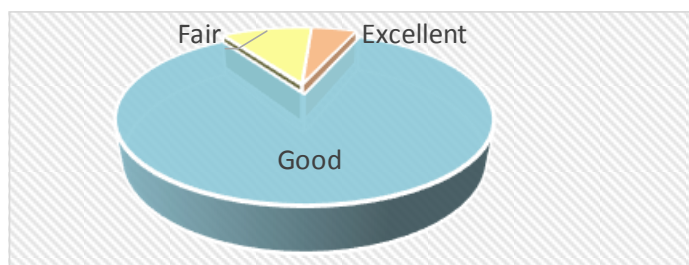
3.3 The individual areas audited have each been given an "assurance rating". These are reported to auditees and management upon the conclusion of each audit, and are also used collectively to inform our annual opinion. They are:

Excellent	☆☆☆☆	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	☆☆☆	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some areas for improvement have been identified.
Fair	☆☆	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.
Poor	☆	Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

TEIGNBRIDGE DISTRICT COUNCIL

3.4 During the 2018-2019 year, **20 of the 23 planned audits were completed.**

- **16** received a **Good** opinion
- **1** was rated **Excellent**
- **2** were rated **Fair**



3.5 **3** audits are carried forward to 2019-2020 and **1** was in progress at the time of writing which means that **87%** of planned work was completed in-year. Within this, **100%** core financial systems work was achieved.

3.6 Progress with previously agreed actions to address high risk issues was monitored through a series of follow up audits. Auditors were also involved in a number of corporate projects and ad hoc investigations.

3.7 Summary of 2018-19 audits:

REVIEW	OPINION CLASSIFICATION
Governance Review and AGS	Good
LAHS Housing Data Return	Good
Safeguarding	Good
Car Loans and Cycle Scheme	Good
Housing Contract Management	Fair
Corporate Procurement (Credit) Cards	Good
Travel and Subsistence	Good
Treasury Management	Excellent
Coastal Monitoring Programme	Fair
Main Accounting and Budgetary Control	Good
Council Tax	Good
NDR (Business Rates)	Good
Benefits and Council Tax Support	Good
Housing Allocations (counter fraud work)	Good
Creditor Payments	Good
Debtors	Good
Income and Banking – BACS Smarter Pay	Good
Leisure Centres	Good
Risk Register	Good
Community Infrastructure Levy (CIL)	In Progress
Payroll	Postponed (iTrent project)
Human Resources - Recruitment	Postponed (iTrent project)
Information Governance	Carried Forward – see independence below*

TEIGNBRIDGE DISTRICT COUNCIL

ICT Assurance – Strata Service Solutions

- 3.8 The Council's ICT services are provided through a mutual trading company which is owned and controlled equally by Exeter City, East Devon and Teignbridge Councils. Strata is audited by the Devon Audit Partnership (DAP). DAP have kindly shared their opinion which concludes a "Good" assurance standard, for the following areas audited:

- ICT Strategy
- Cyber Security
- Key IT Operational Functions
- Service Design

Counter Fraud

- 3.9 The Audit and Information Governance Manager acts as the Key Contact for the National Fraud Initiative. This Cabinet Office exercise matches data from 1,200 participating organisations from across the public and private sectors to prevent and detect fraud. Results from the 2018-19 matching programme are currently being investigated and outcomes will be reported in due course.
- 3.10 A Fraud Risk Analysis has been maintained for all Council services which has helped to inform audit work, and ad-hoc fraud concerns have been investigated accordingly.

Quality Assurance, Review of Effectiveness, and Conformance with UK Public Sector Internal Audit Standards (PSIAS).

- 3.11 "Proper practice" for internal audit in local government is defined by the Public Sector Internal Audit Standards.
- 3.12 The annual self-assessment of compliance with the standards confirms the service is **97% compliant**. External validation of this has yet to be undertaken and is currently scheduled for end of June. Technically until this is completed, the service cannot be deemed to fully conform to the Standards.
- 3.13 Performance outcomes for 2018-2019 are as follows:

Indicator	Target	Actual
Audit Plan: Percentage of core system audits completed.	100%	100%
Audit Plan: Percentage of all planned audits completed.	100%	87%

TEIGNBRIDGE DISTRICT COUNCIL

Client Satisfaction Surveys

Feedback received at the conclusion of audits showed high levels of satisfaction from auditees when asked for their views on:

- Pre-audit planning and Consultation
- Quality of the audit report
- Communication during the audit, and
- Usefulness to your service

3.14 Day-to-day quality controls help ensure work is performed to standard, such as:

- qualified and experienced staff;
- terms of reference outline each audit's scope, timing, and reporting line;
- quality review of reports and working papers;
- periodic appraisal of audit staff skills and training;
- subscription to professional update and advisory services;
- benchmarking and knowledge sharing with other internal audit services.

3.15 The service is mixed provision. An in-house auditor and Audit Manager provide on-site presence. This is supplemented with a number of days bought in from an external provider.

Acceptance of Audit Findings

3.16 The Strategic Leadership and Corporate Management Teams are supportive of internal audit and Managers have responded positively to issues raised in all service areas.

Independence

3.17 The Internal Audit Charter provides for universal access to all Council premises, systems, staff and documents for the purpose of audit work. There were no areas from which we were prevented or restricted in this respect.

3.18 Audit staff sign declarations of independence annually. There were no declared relationships that would have caused any conflicts of interest in the work undertaken by the auditors this year.

3.19 During 2018-19 the Audit team absorbed additional responsibilities in respect of Information Governance. In accordance with PSIAS 1130, arrangements will be made to ensure independent assurance can be given in this area in 2019-2020.

TEIGNBRIDGE DISTRICT COUNCIL

3.20 Opinion

I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion on the adequacy and effectiveness of Teignbridge District Council's control environment.

I confirm that in my opinion, for the year ended 31 March 2019, the systems of governance, risk management and control were generally effective and operated consistently across the Council. Action plans have been put in place to address required improvements where needed.

There are no specific governance, risk management or internal control issues of which Internal Audit have been made aware during the year which cause any qualification of the above opinion.

**Sue Heath
Audit and Information Governance Manager**

4. ACKNOWLEDGEMENT

- 4.1 On behalf of the audit team, I would like to thank all staff who have provided information and assistance during audit reviews throughout the year, and to the Teignbridge management team for being supportive of our findings.

5. RECOMMENDATION

- 5.1 To note the opinion of the Audit and Information Governance Manager, and use it as a source of assurance for the Council's Annual Governance Statement.

**Sue Heath
Audit and Information Governance Manager**

Wards affected	<i>N/A</i>
Contact for any more information	<i>Sue Heath – Audit Manager – 01626 215258</i>
Background Papers (For Part I reports only)	<i>Audit Plan & Audit Reports 2018-2019</i>
Key Decision	<i>N/A</i>
In Forward Plan	<i>N/A</i>
In O & S Work Programme	<i>N/A</i>

AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Councillor Sally Morgan

DATE: 20 June 2019

REPORT OF: Audit Manager

SUBJECT: ANNUAL GOVERNANCE STATEMENT 2018-2019

PART I

RECOMMENDATION

To:

Consider the Annual Governance Statement and recommend it to the Council for approval.

1. PURPOSE

- 1.1 To present the Annual Governance Statement (AGS) for 2018-2019, which has been compiled following a review of the effectiveness of the Council's control systems and governance arrangements.

2. BACKGROUND

- 2.1 The preparation and publication of an AGS is a mandatory requirement for local government bodies, set out in statutory regulations. It tells stakeholders how well the Council has delivered on governance over the course of the previous year.
- 2.2 The CIPFA¹ and SOLACE² Framework introduced in April 2016, "*Delivering Good Governance in Local Government 2016*" includes seven governance principles and a structure against which local authorities can measure their own governance performance. This publication is also cited in the CIPFA Code of Practice on Local Authority Accounting as the proper practice for production of the AGS.
- 2.3 The Framework has been used to benchmark the arrangements at Teignbridge, the results of which, have been captured in the AGS.
- 2.4 The AGS must be included in the Financial Statements which are to be reviewed and approved by full Council in July.
- 2.5 The Audit Scrutiny committee should be satisfied that the AGS fairly reflects the arrangements within the Council.

¹ Chartered Institute of Public Finance Accountants

² Society of Local Authority Chief Executives

3. GOVERNANCE REVIEW

- 3.1 Existing governance systems have been assessed against the CIPFA / SOLACE framework, to determine whether the Council has processes in place that work effectively to meet the following principles:

A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
B	Ensuring openness and comprehensive stakeholder engagement

C	Defining outcomes in terms of sustainable economic, social, and environmental benefits
D	Determining the interventions necessary to optimise the achievement of the intended outcomes
E	Developing the entity's capacity, including the capability of leadership and individuals within it
F	Managing risks and performance through robust internal control and strong public financial management
G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Principles A and B provide the overarching requirements for acting in the public interest, while principles C to G focus on the implementation of governance and achievement of outcomes.

- 3.2 The assessment has been undertaken by the Audit Manager in consultation with other key officers e.g. Monitoring Officer (responsible for legality) and Section 151 Officer (finance), and the Council's management team. The outcomes have been fed into the AGS, along with the information from other assurance sources below.

Other Assurance Sources

- 3.3 In addition to the governance review, assurance may be drawn from other sources such as:
- internal and external audits, including internal audit's annual assurance opinion;
 - performance and risk management systems;
 - reports from other external review bodies such as the Ombudsman and audits of our ICT partnership, Strata Services Solutions Ltd;
 - a review of any contingent liabilities and legal cases in case underlying causes point to governance weaknesses; and
 - the key systems and processes that regulate, monitor and control the Council's activities. Many of these systems have been audited by internal audit during the year and the findings notified to members of this committee.

- 3.4 Finally, the Council's senior managers have completed assurance statements in which they have certified that they have understood their managerial responsibilities and put procedures in place to ensure that their service objectives were achieved; legal requirements were met; risks were managed; budgets were controlled; performance was managed; and more.

Conclusion

- 3.5 Considering the results of the above review and the additional sources of assurance, the general conclusion is that the governance framework in Teignbridge is fit for purpose and operating effectively, subject to the improvements outlined in the AGS action plan attached.

4. ANNUAL GOVERNANCE STATEMENT (AGS)

- 4.1 The draft AGS is attached at **Appendix 1**.
- 4.2 Members are recommended to satisfy themselves that it is commensurate with their own knowledge of the authority, and fairly reflects the systems and processes in place.

5. RECOMMENDATION

- 5.1 **To recommend the Annual Governance Statement to Council for approval.**

Sue Heath
Audit Manager

Wards affected	<i>All</i>
Contact for any more information	<i>Sue Heath – Audit Manager – 01626 215258</i>
Background Papers (For Part I reports only)	<i>CIPFA/SOLACE Delivering Good Governance in Local Government Framework and Guidance.</i>
Key Decision	-
In Forward Plan	-
In O & S Work Programme	-

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Annual Governance Statement

2018-2019

Introduction

Teignbridge District Council must ensure its business is conducted in line with the law and proper standards, and use public money economically, efficiently and effectively. It is the Council's duty to put in place arrangements for the governance of its affairs, and effective delivery of services.

In order to achieve good governance, we put in place proper systems for managing and overseeing what we do. These arrangements are intended to make sure that we achieve intended outcomes while acting in the public interest at all times.

We have measured ourselves against the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework for Delivering Good Governance in Local Government 2016. This statement explains how Teignbridge District Council has complied with the principles and also meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to the publication of an Annual Governance Statement.

The Guiding Principles



The governance framework

The governance framework comprises the systems, processes, culture and values which direct and control our daily business, and includes the methods we use to engage, lead and account to the community. It enables us to monitor how we are doing and to consider whether our plans have helped us deliver appropriate services that are value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute protection. The management of risk is an ongoing process designed to identify, prioritise and manage risks to the achievement of the Council's aims and objectives, and maximise opportunities.

The governance framework has been in place at Teignbridge District Council for the year ended 31 March 2019 and up to the date we approved the statement of accounts.

The key things we do to comply with the good governance principles are as follows:

Behaving with integrity, demonstrating strong commitment to ethical values, and being lawful

- The Council's Constitution, Councillor and Officer Codes of Conduct, and Vision and Values statement set out required standards of members and officers.
- Registers of Interests are for maintained to avoid conflicts, prejudice or bias.
- The designated statutory Head of Paid Service, Financial Officer and Monitoring Officer help ensure business is conducted lawfully.
- Internal and external audit scrutinise Council activities and report independently on the extent to which laws, policies and procedures are complied with.
- Audit Scrutiny, Standards Committee and the Monitoring Officer oversee standards
- Anti-Fraud and Corruption and Whistleblowing policies are publicised.
- Council services are led by trained and professionally qualified staff.
- Comments and complaints processes are in place and are publicised, including how to complain to the Ombudsman.
- Our 'fair for all' ethos is incorporated in the work we do, and we publish our adherence to the Equality Act 2010 duties annually.

Ensuring openness and comprehensive stakeholder engagement

- Our Consultation and Community Engagement Strategy and Toolkit encourages all members of the community to contribute to, and participate in the work of the Council.
- Members of the public have access to Council meetings, minutes and agendas.
- Our Communications Strategy showing principles of engagement.
- Our Residents Panel "Talking Teignbridge" is used as a sounding board and is representative as possible of the Teignbridge community.
- A Customer Reading Group ensures publications can be understood.
- We have developed a Digital Strategy to guide the way services will be delivered with a digital first approach.
- We survey customers every two year for their views on our services to help shape future direction.
- A Statement of Community Involvement sets out engagement processes for planning policy and applications, and a revision of our Local Plan is in progress.
- Our website has been continually improved based on what customers need.

Defining outcomes in terms of sustainable economic, social and environmental benefits

- A Ten Year Council Strategy guides our work. This was implemented following extensive research and consultation with residents, business and partners, and is underpinned by ten “Super Projects” each having a widespread impact on the economy, community wellbeing, and environment.
- Budgets, financial plan and capital programme direct financial resources to priorities.
- We have a Procurement Strategy in conjunction with other Devon Districts which defines our commitment to support local economies.
- An Economic Development Plan aids local businesses and the local economy.
- A number of small grants and funding schemes are provided, which benefit local communities, a crowdfunding initiative has been joined.
- We belong to the Greater Exeter Partnership which is developing a Greater Exeter Strategic Plan for joined-up decision making on planning and infrastructure, and we are members of the Heart of the South West Local Enterprise Partnership.

Determining the interventions necessary to achieve intended outcomes

- Performance measures track progress with delivery of the Ten Year Strategy.
- A medium term financial strategy outlines how we intend to raise and manage the resources needed to deliver our services and priorities over the medium term.
- Executive Key decisions are publicised in advance so they can be scrutinised in line with decision making and Overview and Scrutiny arrangements.
- Overview and Scrutiny review groups are appointed to look at Council policy, services, and particular issues of local concern.
- Internal Business Efficiency and Service Transformation Reviews (BEST2020) help ensure value for money in services is scrutinised, for efficient service delivery.
- A digital transformation programme “One Teignbridge” drives service improvements.
- A Partnership toolkit aids collaborative working and strong partnership governance.

Developing capacity including the capability of leadership and the individuals within it

- Recognised recruitment and selection procedures and induction programmes are followed for both staff and members.
- Training and development needs are tracked through annual personal development and performance interviews for staff, Member development needs are co-ordinated by the Democratic Services Manager.
- HR policies aim to promote the health and wellbeing of the workforce and the Investors in People accreditation is maintained.

Managing risks and performance through robust internal control and strong public financial management

- Our Risk Management Strategy is reviewed annually and risk management reports are reviewed by the Strategic Leadership Team (SLT) and the Audit Committee.
- The Strategy requires risks to be managed at all levels including service, strategic, and project levels, and in all decision making.
- Robust performance monitoring using a basket of indicators is undertaken by the SLT and Overview and Scrutiny Committee.
- Our Interim Head of Corporate Services is the designated officer responsible for the proper administration of the Council’s financial affairs.

Being transparent, with good practices in reporting and audit, to deliver effective accountability

- Agendas, reports, and minutes of meetings are published, along with Key Decisions.
- An internal audit function reports to the SLT and Audit Scrutiny Committee who also receive and consider the external auditors' findings.
- Key data is published, and timely responses are given to Freedom of Information Requests.

How do we know our arrangements are working?

At least annually, we review the effectiveness of the governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment; the Audit Manager's annual report; and by comments made by external auditors, and other review agencies and inspectorates. Assurances taken into account in the review include:

- Comfort statements completed by the Council's management team and significant partners, which cover their areas of control, acknowledge accountability for risk management and internal control, and certify their satisfaction with the arrangements in place throughout the year.
- Key officers' views on the standards of governance within the Council – specifically the Section 151 Officer (responsible for the Council's financial affairs), the Monitoring Officer, the Audit Manager, Risk Manager and the Health and Safety Manager.
- The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. The Monitoring Officer also reviews the operation of the Constitution, to ensure it is up to date, and reflects best practice and legal requirements.
- The Standards Committee is available to support the Monitoring Officer on standards of conduct and probity issues. A working group has reviewed the operation of the Standards Committee and a Constitution review is planned.
- The Overview and Scrutiny process has monitored the Council's policies and performance on an ongoing basis. Portfolio Holders have also kept issues under review during meetings with managers.
- The Audit Scrutiny Committee has reviewed arrangements for managing risk concluding that adequate risk management arrangements are in place.
- Counter fraud arrangements have been kept under review through a Fraud Risk Assessment and internal audits of high risk fraud areas.
- The Council's external auditor provided the Council with an unqualified opinion on the Council's accounts and positive Value for Money report within their Annual Audit and Inspection letter. They have attended all Audit Scrutiny Committee meetings where their reports have been considered.

- As a significant group relationship and activity, Strata Service Solutions Limited has been provided with positive assurance from the Devon Audit Partnership, as the provider of its internal audit services in 2018-2019.
- On behalf of the Council, Strata has maintained compliance with the Government Code of Connection, which is a mandatory set of security standards Councils must meet in order to connect to the Government Secure Network (the Public Services Network), and also follows the National Cyber Security Centre's 10 Steps to Cyber Security.
- The Electoral Commission's real time monitoring of performance concluded that the Council met their standards.
- The Local Government Ombudsman considered the Council at fault in 4 of the complaints received in 2018-2019.
- A review of legal proceedings and contingent liabilities revealed no issues arising from weaknesses in control or governance.
- CIPFA guidance on the role of the Chief Financial Officer in public service organisations was used to benchmark the Council's arrangements, giving assurance that these standards were met.
- The system of internal audit has been reviewed. The review concluded that the system of internal audit is effective and remains a key source of assurance for the Council.
- Based on the assurance work undertaken by internal audit, the Audit Manager has provided an opinion on the adequacy of the control environment which concluded that this was adequate and effective. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute.
- The Audit Manager also provided oversight of Information Governance and Data Protection for the Council. A programme of work is ongoing to maintain compliance with information laws. There were no reportable data breaches and average processing time for Freedom of Information and Environmental Information Regulation requests was 9.5 days.
- Internal Audit assessed corporate governance arrangements Council-wide by measuring the Council against the requirements of the governance framework outlined in the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government 2016, and the results of this are reported to the Audit Scrutiny Committee.

Conclusion

Our governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Set out below, are the challenges highlighted by this review which we aim to address during 2019-2020, along with an update on those previously reported in 2018-2019:

2017-2018 Identified Issue	Progress
<p><u>Standards Committee and Council Constitution</u></p> <p>The Council needs to continue its work to strengthen the Standards Committee through the appointment of a second independent person.</p> <p>The Council's Constitution is out of date.</p>	<p>The second independent person has been appointed.</p> <p>The Code of Conduct was reviewed by a Cross party working group and revised code adopted in April 2018.</p> <p>No substantive work was commenced on updating the Constitution. A working group comprising group leaders was established for 2019/20 and is tasked with undertaking a review of the constitution in particular the decision making structure.</p>
2018-2019 Identified Issues	Planned Action
<p><u>Financial Sustainability</u></p> <p>The Council has set a balanced budget despite the continuing pressures on costs and reductions in funding streams.</p>	<p>Continue to monitor savings and efficiency plans and assumptions, to ensure they contribute towards future budget deficits.</p>
<p><u>Fundamental Review of the Constitution</u></p> <p>The Council's constitution has not been reviewed for some years, updates being undertaken on a piece meal basis and as a consequence, creating inconsistencies and gaps in the decision making processes.</p>	<p>The Constitution Working Group comprising group leaders will conduct a review of the constitution over 2019-20 reporting to Council with recommendations for changes by end of 2019-20</p>
<p><u>Contract Procedure Rules</u></p> <p>These rules govern the Council's procurement activity and promote good procurement practice and accountability. A review is needed to ensure they continue to reflect good practice.</p>	<p>The Contract Procedure Rules will be reviewed and presented to Audit Scrutiny Committee and full Council for approval.</p>

Signed:

Leader of the Council

Managing Director

AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Cllr Sally Morgan

EXECUTIVE PORTFOLIO HOLDER: Cllr Alan Connett

DATE: 20 June 2019

REPORT OF: Chief Finance Officer

SUBJECT: 2018/19 Draft Final Accounts & Treasury Management

PART I

RECOMMENDATIONS

That the Audit Scrutiny Committee note

- (a) That the draft statement of accounts for 2018/19 has been published.**
- (b) The current authorised lending list at Appendix 1.**
- (c) The draft treasury management results for 2018/19 at Appendix 2.**

1. PURPOSE

- 1.1** To introduce Members to the draft statement of accounts for 2018/19.
- 1.2** To report the latest treasury management authorised lending list.
- 1.3** To report on the draft financial results of the treasury management function for the year ended 31 March 2019.

2. BACKGROUND

- 2.1** The accounts and audit regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement has to be produced and certified by the chief finance officer by 31 May. It has to be brought for full council approval after external audit and by 31 July.
- 2.2** The statement of accounts and financial records are being audited by our external auditors Grant Thornton during June and July. If any alterations are required the details will be reported to Audit Scrutiny Committee with the external audit accounts report in July. Any revenue or capital resource effects will be brought to Executive in the next budget monitoring report planned for 8 October. Grant Thornton is required to provide the opinion on the statement of accounts by the end of July.

TEIGNBRIDGE DISTRICT COUNCIL

- 2.3** The availability of the accounts and records for inspection by interested persons has been advertised on the website www.teignbridge.gov.uk/statementofaccounts see Draft Statement of Accounts 2018-2019. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 3 June to 12 July 2019.
- 2.4** An updated treasury management statement and authorised lending list was approved at the 2019 February budget meeting. This was based on the latest edition of the treasury management code published by the Chartered Institute of Public Finance & Accountancy (CIPFA). The statement has been reviewed and there is no change since the budget update. A copy is shown for information at Appendix 1.

3. 2018/19 DRAFT STATEMENT OF ACCOUNTS

- 3.1** The draft statement of accounts has been certified by Martin Flitcroft as the responsible finance officer and is available on the website. www.teignbridge.gov.uk/statementofaccounts see public inspection notice Audit of Accounts 31 March 2019 in the downloads section. The final version will be brought to the next meeting of Audit Scrutiny Members with further explanation for consideration and recommendation to 29 July 2019 Council.
- 3.2** A brief explanation and overview of the figures is given in the narrative statement on pages 8 to 20. Capital expenditure and details of property, plant and equipment are given in the balance sheet on page 31 and relevant notes 14 to 16 and 23 from page 63. Reserves are shown on the balance sheet and analysed on page 30. The draft closing general reserves at 31 March 2019 of £1.982 million are improved on the original budget by £0.110 million.
- 3.3** An analysis of this variation is contained within the narrative statement. It has arisen mainly because of additional income from fees and charges, leisure memberships, recycling credits, business rate grants and gains from the business rates pilot arrangement. Additional income was also received from non-specific general grants. Savings were made in expenditure including water, printing & stationery, advertising and other miscellaneous costs together with increased savings from Strata. There were additional costs that arose in the year including fuel, legal fees, bed and breakfast accommodation and business rates.

4. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 1)

The authorised treasury management lending list was approved at the 2019 February budget meeting. Principality Building Society has re-entered the list due to improved ratings.

From 1 January 2019, the largest UK banks separated core retail banking from investment banking in order to support financial stability and make any potential failures easier to manage without the need for a government bailout. The banks have addressed ring-fencing, each taking their own approach about which side of

TEIGNBRIDGE DISTRICT COUNCIL

the bank is best suited for local authorities. In some cases, ring-fencing affected ratings. Officers continue to monitor all ratings to ensure they meet the council's lending criteria.

5. TREASURY MANAGEMENT RESULTS 2018/19 (Appendix 2)

- 5.1** The council has to report on the financial results of the treasury management function in accordance with the CIPFA 'Treasury Management Code 2017'.
- 5.2** Teignbridge's lending has been carried out in accordance with its defined strategy and with adherence to its restricted list of approved investment institutions.
- 5.3** The average funds available for investment have increased in 2018/19 by £2.5 million to £14.6 million, from £12.1 million in 2017/18. This is mainly due to grants and contributions which were received in advance of expenditure. Net interest earned has increased from £40,000 in 2017/18 to £103,000 in 2018/19. The average rate achieved has increased from 0.33% in 2017/18 to 0.71% in 2018/19, due to the Bank of England's base rate increasing to 0.75% on 2 August 2018. Call account rates continue to be low because of the current banking regulations requiring banks to keep greater capital buffers.
- 5.4** Interest rates earned have been consistently better than the standard benchmark 7 day London Interbank Offer Rate which for the same lending would have averaged 0.63% for the year (0.28% in 2017/18). Base rate increased from 0.5% to 0.75% in August 2018. For future base rates it will be difficult nationally to strike a balance between keeping growth going while not letting inflation get out of hand post Brexit. There continues to be uncertainty about future demand, inflation and the outcome of the European Union negotiations.
- 5.5** There was no long-term borrowing in 2018/19. Full details of draft treasury management results and prudential indicators are shown at Appendix 2.

6. MAIN IMPLICATIONS

The main implications Members need to be aware of are that preparation and approval of the draft 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.

7. GROUPS CONSULTED

The draft accounts are advertised as available for inspection and are published on the website. A further copy is available in the Democratic Services office.

TEIGNBRIDGE DISTRICT COUNCIL

8. TIME-SCALE

The draft accounts have been published by 31 May 2019 as required. Completion of the external audit and Council approval of the audited accounts is required by 31 July 2019.

9. CONCLUSION

The draft accounts have been prepared in accordance with the relevant legislation and current best practice. They are complete and published on the website together with a notice about public inspection.

Martin Flitcroft
Chief Finance Officer

Wards affected	All
Contact for more information	Martin Flitcroft on 01626 215246 or Claire Moors on 01626 215242
Background Papers (For Part I reports only)	2018/19 year end files including Accounts & Audit Regulations 2015. Treasury management working files including CIPFA Treasury Management Code 2017.
Key Decision	Yes
In Forward Plan	Yes
In O&S Work Programme	No

TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT:
AUTHORISED LENDING LIST FROM 28 FEBRUARY 2019

Lending list

The current authorised lending list has been updated to take account of changes in ratings and banks and is shown below for approval.

Type of Lender	Details	
1. Current Banker	Lloyds Bank	£3,000,000 limit
2. Local Authorities	All	£3,000,000 limit
3. UK Debt Management Office Deposit Facility (UK government AA/Aa2/AA rated) no limit.		
4. UK Treasury Bills (UK government AA/Aa2/AA rated) no limit.		
5. Public Sector Deposit Fund	AAAmmf	£3,000,000 limit
6. Aberdeen Liquidity Fund	AAAmmf	£3,000,000 limit
7. Top UK-registered Banks and Building Societies, subject to satisfactory ratings.		

Institution	Tier	90 day limit	180 day limit	364 day limit	Overall limit
		£	£	£	£
Close Brothers Ltd	1	3,000,000	2,000,000	1,000,000	3,000,000
Santander UK plc	1	3,000,000	2,000,000	1,000,000	3,000,000
Nationwide Building Society	1	3,000,000	2,000,000	1,000,000	3,000,000
NatWest Bank	1	3,000,000	2,000,000	1,000,000	3,000,000
Lloyds Bank plc and Bank of Scotland plc	1	3,000,000	2,000,000	1,000,000	3,000,000
Coventry Building Society	2	2,000,000	1,000,000		2,000,000
Clydesdale Bank	3	1,000,000			1,000,000
Nottingham Building Society	3	1,000,000			1,000,000
Skipton Building Society	3	1,000,000			1,000,000
Yorkshire Building Society	3	1,000,000			1,000,000
Leeds Building Society	3	1,000,000			1,000,000
Principality	3	1,000,000			1,000,000
Royal Bank of Scotland	3	1,000,000			1,000,000

Officers will continue to seek the best rate, balanced against risk, at the time of investment. Use of call and notice accounts with Santander, Lloyds and Clydesdale continue. These accounts provide access to flexible deposits, with a range of access options and interest rates. Treasury Bills, an AA/Aa2/AA (very securely) rated, short dated form of Government debt which are issued by the Debt Management Office via a weekly tender are also included on the lending list, offering the Council an additional secure investment option.

From 1 January 2019, the largest UK banks separated core retail banking from investment banking in order to support financial stability and make any potential failures easier to manage without the need for a government bailout. The banks have addressed ring-fencing, each taking their own approach about which side of the bank is best suited for local authorities. Officers continue to monitor all ratings to ensure they meet the council's lending criteria.

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Teignbridge District Council Treasury Management Year-End Results 2018-19

Teignbridge District Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2017 Edition*. One of the requirements is the provision of a year-end report of treasury management activities.

Activities Undertaken: Daily lending and borrowing from 1 April 2018 to 31 March 2019:

Fixed-term lending

Borrower	Terms %	Amount Lent £	Dates	Total Days Lent in year	Interest Earned in year £
Close Brothers	1.00%	1,000,000	03/04/18 – 15/03/19	346	9,479.45
DMO	0.25%	8,000,000	16/04/18 – 20/04/18	4	219.18
Nottingham Building Society	0.55%	1,000,000	15/05/18 – 10/08/18	87	1,310.96
Coventry Building Society	0.70%	1,000,000	15/05/18 – 09/11/18	178	3,413.70
DMO	0.25%	1,000,000	15/05/18 – 21/05/18	6	41.10
DMO	0.25%	1,000,000	15/06/18 – 19/06/18	4	27.40
DMO	0.25%	1,000,000	02/07/18 – 04/07/18	2	13.70
DMO	0.25%	2,000,000	16/07/18 – 19/07/18	3	41.10
Nationwide Building Society	0.71%	1,000,000	16/07/18 – 25/03/19	252	4,901.92
Nationwide Building Society	0.69%	1,000,000	16/07/18 – 11/01/19	179	3,383.84
DMO	0.45%	3,000,000	01/08/18 – 09/08/18	8	295.89
Santander	0.90%	1,000,000	15/08/18 – 19/03/19	216	5,326.03
DMO	0.50%	2,000,000	15/08/18 – 20/08/18	5	136.99
DMO	0.50%	1,000,000	03/09/18 – 17/09/18	14	191.78
Thurrock Council	0.90%	1,000,000	03/09/18 – 15/03/19	193	4,758.90
DMO	0.50%	1,000,000	06/09/18 – 07/09/18	1	13.70
DMO	0.50%	1,000,000	07/09/18 – 17/09/18	10	136.99
Santander	0.85%	1,000,000	02/10/18 – 14/03/19	163	3,795.89
DMO	0.50%	5,000,000	15/10/18 – 22/10/18	7	479.45
DMO	0.50%	2,000,000	15/11/18 – 19/11/18	4	109.59
DMO	0.50%	1,000,000	15/11/18 – 23/11/18	8	109.59
DMO	0.50%	4,000,000	15/11/18 – 26/11/18	11	602.74
Coventry Building Society	0.78%	1,000,000	03/12/18 – 26/03/19	113	2,414.79
DMO	0.50%	1,500,000	17/12/18 – 21/12/18	4	82.19
DMO	0.50%	5,000,000	17/12/18 – 04/01/19	18	1,232.88
DMO	0.50%	2,300,000	02/01/19 – 04/01/19	2	63.01
DMO	0.50%	3,000,000	15/01/19 – 21/01/19	6	246.58
DMO	0.50%	1,000,000	15/01/19 – 23/01/19	8	109.59
DMO	0.50%	3,700,000	15/01/19 – 08/02/19	24	1,216.44
Coventry Building Society	0.50%	1,000,000	25/01/19 – 08/02/19	14	191.78
DMO	0.51%	500,000	28/01/19 – 08/02/19	11	76.85
DMO	0.50%	500,000	30/01/19 – 08/02/19	9	61.64
DMO	0.50%	1,600,000	01/02/19 – 04/02/19	3	65.75
DMO	0.51%	1,000,000	04/02/19 – 08/02/19	4	55.89
DMO	0.50%	1,000,000	15/02/19 – 18/02/19	3	41.10

Appendix 2

DMO	0.50%	2,000,000	15/02/19 – 19/02/19	4	109.59
DMO	0.50%	2,000,000	01/03/19 – 04/03/19	3	82.19
DMO	0.51%	500,000	04/03/19 – 15/03/19	11	76.85
DMO	0.50%	1,000,000	14/03/19 – 15/03/19	1	13.70
Close Brothers	1.15%	1,000,000	15/03/19 – 23/12/19	283 (17 in year)	504.11
Thurrock Council	1.06%	1,000,000	15/03/19 – 15/01/20	306 (17 in year)	464.66

Deposits were also made into the following call accounts, dependent upon cash flow:

Bank	Account terms	Interest Earned £
Barclays Bank plc	0.25% to 0.55% instant access	46.86
Barclays 95-day notice	0.50% to 0.70% 95-day notice	2,422.87
Clydesdale Bank	0.20% 30 days' notice	0.74
Clydesdale Bank	0.35% to 0.50% instant access	86.70
Royal Bank of Scotland	0.05% to 0.20% instant access	1.16
Santander UK plc	0.25% to 0.40% instant access	1,108.55
Public Sector Deposit Fund	0.46% to 0.81% instant access	19,589.68
Lloyds plc 175-day notice	0.75% to 1.13% 175-day notice	15,937.67
Lloyds plc	0.40% to 0.65% current account	431.40
Lloyds plc Deposit account	0.40% to 0.65% instant access	4,407.74
Aberdeen Standard (formerly Standard Life)	0.41% to 0.74% instant access	13,066.37

Temporary Borrowing 1 April 2018 to 31 March 2019:

Lender	Terms %	Amount lent £	Dates	Days lent in year	Interest paid in year £
Lloyds Bank	Base + 1%	0	Overdraft agreement	0	0
Vale of Glamorgan Council	0.42%	1,000,000	29/05/18 – 01/06/18	3	34.52

Teignbridge District Council Performance Report for the Period 1 April 2018 to 31 March 2019

	Apr-Mar 2017-18	Apr-Mar 2018-19
(i) Short Term Funds Invested		
Interest received and receivable for the period	£39,844	£102,999
Maximum period of investment on any one loan made in the period	308 days	346 days
"Fixed" investment rates in period.	0.10% – 0.65%	0.25% - 1.15%

(ii) Short Term Funds Borrowed

Interest paid and payable for the period	£4.71	£34.52
Number of new loans borrowed in the period	0	1
Maximum period of borrowing on any one loan borrowed in the period.	n/a	3 days
“Fixed” borrowing rates.	n/a	0.42%

(iii) Average Net Interest Rate Earned

0.33% 0.71%

(iv) Average Short Term Net Lending

£12,134,604 £14,566,511

Regular Monitoring

Two monthly reports are prepared for the Chief Finance Officer: a forecast of interest receivable for the year, and an investment comparison, which shows the sum available for investment compared to the previous year. The Chief Finance Officer presents a monthly report to CMT and updates the Executive Committee on a quarterly basis. These reports include any policy updates, such as changes to the official lending list, based on the latest ratings information. Full Council receives an annual review and strategy statement and a mid-year review.

Total net interest received in 2018-19 was £102,964.70. This compares to £ 39,839.52 in 2017-18. The increase is mainly due to higher interest rates (an average of 0.71%, compared to 0.33% in 2017-18), although there has also been an increase in the funds available for lending out (average daily lending is slightly higher in 2018-19 at £14.6 million compared to £12.1 million in 2017-18). Average benchmark 7-day LIBOR rate for 2018-19 was 0.63%.

Treasury Management Indicators

These are part of the Prudential Indicators, as agreed at Full Council on 28 February 2019. They are available on request or on the Teignbridge website agenda for that meeting.

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TEIGNBRIDGE DISTRICT COUNCIL

AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Councillor Sally Morgan

DATE: 20 June 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:

1	LIFE OR DEATH There is significant chance that the life or health of officers, members, or the public will be put at real risk.
2	INCREASED COST / LOSS OF INCOME The Council will incur significant avoidable costs or lose significant income.
3	LIMITED MARKETS The Council would be wasting its time tendering as supply of the product or service is demonstrably restricted to one or few businesses.
4	URGENT ACTION REQUIRED 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 March 2019 monitoring report:

Proposing Officer	Proposal / Reason	Approval
Tracey Hooper Revenue and Benefits Manager	Housing Benefit Subsidy Appointment of Grant Thornton as reporting accountant for the Housing Benefit (Subsidy) Assurance Process for the subsidy period 1 st April 2019 to 31 st March 2020. Value: £8,400 (£9,400 if additional testing is required) Reason: Limited Markets	Amanda Pujol Interim Head of Service Delivery and Improvement
Daron Hand Group Building Surveyor	Beachcomber Café To fully refurbish the high level external envelope of the building to install high level cladding, recover the roof including insulation and employ scaffold. Value: £70,000 Reason: Increased Cost / Loss of Income, Urgent Action Required	Martin Flitcroft Chief Finance Officer Interim Head of Corporate Services
Ruth Adams Programme Manager (South West Coastal Regional Monitoring Programme)	South West Regional Coastal Monitoring Programme (SWRCMP) Provision of specialist data management services for the coastal defence asset management project for Devon, Cornwall and the Isles of Scilly (DCIoS). Value: £25,000 (fully recoverable from Environment Agency grant) Reason: Increased Cost / Loss of Income, Limited Markets	Tony Watson Interim Head of Commercial Services
Donna Best Estates Manager	Purchase of external Legal advice Continuation of procured legal advice on an on-going protracted property matter which has developed and escalated over a period of time. Waiver in respect of expenditure to date and further budget sought and authority for expenditure considered by Full Council 4 June 2019. Value: £75,000 Reason: Limited Markets, Urgent Action Required	Phil Shears Managing Director

TEIGNBRIDGE DISTRICT COUNCIL

4. RECOMMENDATION

That the report be noted.

Sue Heath

Audit & Information Governance Manager

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

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