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13 March 2019

## AUDIT SCRUTINY COMMITTEE

Dear Councillor

You are invited to a meeting of the above Committee which will take place on **Thursday, 21st March, 2019** in the Council Chamber, Forde House, Brunel Road, Newton Abbot, TQ12 4XX at **10.00 am**

Yours sincerely

PHIL SHEARS  
Managing Director

Distribution:

- (1) The Members of the Audit Scrutiny Committee (subject to confirmation of Executive Members by the Leader)

Councillor Chris Clarence  
(Chairman)  
Councillor Ted Hockin (Vice-  
Chairman)  
Councillor Ann Jones  
Councillor Alistair Dewhirst  
Councillor Alan Connett  
Councillor Mike Haines  
Councillor Ron Peart  
Councillor Bill Thorne  
Councillor Martin Wrigley

A link to the agenda on the Council's website is emailed FOR INFORMATION (less reports (if any) containing Exempt Information referred to in Part II of the agenda), to:

- (1) All other Members of the Council  
(2) Representatives of the Press  
(3) Requesting Town and Parish Councils

**If Councillors have any questions relating to predetermination or interests in items on this Agenda, please contact the Monitoring Officer in advance of the meeting**

## **Public Access Statement**

- There is an opportunity for members of the public to ask questions at this meeting. Please submit your questions to [comsec@teignbridge.gov.uk](mailto:comsec@teignbridge.gov.uk) by **12 Noon** two working days before the meeting.
- 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)
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- Reports in Parts I and III of this agenda are for public information. Any reports in Part II are exempt from publication due to the information included, under the provisions of the Local Government Act 1972.

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

### **Part I**

1. Apologies for Absence
2. Minutes of Previous Meeting (Pages 1 - 6)  
Confirmation of the minutes of the previous meeting.
3. Agreement of the agenda between Parts I and II
4. Matters of urgency/matters or report especially brought forward with the permission of the Chairman.
5. Declarations of Interest.

### **Part I (Public)**

6. External Audit Plan - Grant Thornton (Pages 7 - 22)
7. Audit Progress report - Grant Thornton (Pages 23 - 46)
8. Updated TM List (Pages 47 - 56)
9. Internal audit of the Housing Contracts Management - Verbal Report
10. Internal Audit Progress Report (Pages 57 - 62)
11. Financial Instructions and Contract Rules Waivers Report (Pages 63 - 66)
12. Teign Estuary and Coastal Partnership Audit - Verbal Update

### **Part II (Private)**

**Items which may be taken in the absence of the Public and Press on the grounds that Exempt Information may be disclosed.**

Nil.

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## **AUDIT SCRUTINY COMMITTEE**

**THURSDAY, 13 DECEMBER 2018**

Present:

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

Apologies:

Councillors Connett and Wrigley

Officers in Attendance:

Sue Heath, Audit Manager

Claire Moors, Principal Technical Accountant

Liz Gingell, Business Improvement Officer

Lucy Ford, Interim Corporate Procurement Officer

Rebecca Hewitt, Community Safety and Safeguarding Manager

Mark Devin, Democratic Services Officer (Exeter City Council)

Also in Attendance

Julie Masci, Engagement Lead - Grant Thornton

Stephen Johnson, Audit Manager - Grant Thornton

### **290. MINUTES OF PREVIOUS MEETING**

The minutes of the Audit Scrutiny Committee meeting held on 11 September 2018 were confirmed as a correct record and signed by the Chairman.

### **291. DECLARATIONS OF INTEREST.**

The following Member declared an interest as indicated:-

<b>COUNCILLOR</b>	<b>MINUTE</b>
Councillor Thorne	297

### **292. SAFEGUARDING AUDIT UPDATE - VERBAL REPORT**

The Community Safety and Safeguarding Manager and the Audit Manager provided Members with an update on the revised Safeguarding Audit report, which had been re-worked on a balance of strengths and weaknesses.

Concerns had been raised on Safeguarding training, however there were briefings planned for 2019 and Safeguarding training had been promoted in the staff newsletter. HR would also be doing a review of the e-learning system, but there had been excellent progress on safeguarding training. She confirmed that

safeguarding sessions had also been delivered through staff meetings, which included refuse and cleansing teams.

Members were informed that 262 people had completed training on suicide awareness at Teignbridge District Council, South Hams District Council and West Devon Borough Council.

In response to questions from Members, the Community Safety and Safeguarding Manager explained:-

- There was safeguarding legislation for both adults and children;
- Taxi drivers were offered free training on safeguarding risks;
- The Council provided lone working policies for staff, undertook checks on new staff and incident handling;
- Safeguarding Training was not mandatory for taxi drivers, however 46% of drivers had completed the training. The Licensing team were working to amend the policy to make Safeguarding training mandatory, but the drivers may have to pay.

The Chair expressed his thanks to the Community Safety and Safeguarding Manager

Resolved

That the Audit Scrutiny Committee note the verbal report.

## **293. EXTERNAL AUDITORS REPORT AND AUDIT LETTER**

Julie Masci, Engagement Lead and Steve Johnson, Audit Manager from Grant Thornton, presented the progress update report and the Annual Audit Letter for the year ending 31 March 2018.

Members were referred to the 2017/18 Annual Audit letter, which summarised the key findings arising from work carried out for the Council year ending 31 March 2018. The report had been brought back to the Committee following a request by Members for amendments, which had been completed.

The Progress Report showed the work for 2018/19 Audit Planning was underway and would be presented along with the Certification Report, to Members at the next Audit Scrutiny meeting on 13 March 2018. Details of the audit deliverables, sector update work, the Chartered Institute of Public Finance and Accountancy (CIPFA) consultation, business rates and the fair funding review were provided.

Members were informed that Teignbridge District Council did not own a trading company, and the Financial Resilience Index was still within the consultation period. It would not show on the CIPFA website until it was completed. Housing Benefit was audited through system diagnostics and individual aspects. The findings are then presented to the Department for Work and Pensions (DWP).

Resolved

That the Audit Scrutiny Committee note the report.

**294. TREASURY MANAGEMENT UPDATE & MID-YEAR REVIEW**

The Principal Technical Accountant presented the report which provided Members with details of the authorised lending list, which had been presented to the Executive Committee on 4 December 2018. She highlighted that there had been no changes made to the tier ratings and under the type of lender heading, the previous Standard Life Sterling Liquidity Fund had changed to the Aberdeen Liquidity Fund, following a merger.

The Principal Technical Accountant discussed the Interim Performance Report for the Period 1 April to 30 September 2018, highlighting to Members that the interest forecast for the year was currently predicting a total receivable of £96,450. This took into account the base rate increase on 2 August 2018 and an increase in the average funds available to lend out of £13.3 Million in the first half of the year.

In response to a Member question, the Principal Technical Accountant explained that, Barclays Bank had been on a previous authorised lending list, hence the interest earned, but has since been removed, as they no longer fit with the Council's Treasury Management Strategy.

Resolved

That the Audit Scrutiny Committee note the report.

**295. RISK MANAGEMENT REPORT**

The Business Improvement Officer presented the report which provided Members with an overview of the current status of the Strategic and Corporate Risk Register. She explained to Members that there were 25 Strategic Risks and 12 corporate risks. Of the 37 risks, six had an unmitigated risk score of 9, which was very high, but actions were in place to reduce these. She commented that there were no risks with a high impact and high likelihood or medium impact and high likelihood score.

Members were referred to the review of each risk and its mitigations, explaining the risk that had been added or changed to clarify the risks purpose. All the major projects and service charges had all been updated.

In response to Member questions, the Business Improvement Officer explained how mitigations were reviewed and shown on the register. They would be marked as either 'action completed' or 'action on going'. Additional details could be provided to Members in the online risk register. She commented that cyber security training was to be developed, and the mobile device and agile working policy was being reviewed.

Resolved

That the Audit Scrutiny Committee noted and approved the report.

**296. INTERNAL AUDIT REPORT**

The Audit Manager presented the report which advised Members of the progress against the Audit Plan and referred Members to the outcomes of the completed audits. She discussed the Housing Contracts Management audit, which was requested by the Interim Head of Service. It would be followed up as it was a fair audit outcome.

In response to a Member question, the Audit Manager stated that management had undertaken a review on Corporate Purchasing Cards and flagged up several considerations.

Resolved

That the Audit Scrutiny Committee note the report.

**297. CONTRACT WAIVER PROCEDURE**

The Interim Corporate Procurement Officer provided members with information on the process for waiving the Contract Procedure Rules (CPR), following a request made by Members at the September 2018 Audit Scrutiny meeting (Minute 156). The report provided an explanation of the waiver procedure, and an outline of the controls in place to ensure it was properly applied.

Members were referred to the spending thresholds, procurement processes, requests for quotations and the tendering process. The Interim Corporate Procurement Officer commented on the waiver procedure, highlighting the criteria and processes involved. For waivers over £50,000 an officer would require management sign off before any waiver is presented to the Leader and Deputy Leader.

The analysis of waivers for the financial period 2017-18 was discussed. There had been two instances where the value of the procurement had exceeded the expected £50,000 threshold and requests for quotations were obtained instead of formal tendering. The value for the incidents was below the EU threshold, and the market had been tested, therefore the decision to allow waivers had been supported rather than re-procuring using a tendering process.

Resolved

That the Audit Scrutiny Committee note the report.

**298. FINANCIAL INSTRUCTIONS AND CONTRACT RULES WAIVERS**

The Audit Manager presented the report which provided Members with details of Financial Instructions and Contract Procedure Rules that had been waived since September 2018. There had been two incidents reported – the Provision of Lifeguard Service and Statement of Significance for St Mary’s Church. She confirmed both incidents warranted the waiver procedure.

Resolved

That the Audit Scrutiny Committee note the report.

**299. DATA PROTECTION AND CYBER SECURITY UPDATE - VERBAL REPORT**

The Audit Manager provided Members with a verbal update on data protection and cyber security. Since the last Audit Scrutiny meeting there had been no major breaches reported, but a few minor data protection issues had been investigated and resolved.

Data Protection Impact Assessments were being completed for all new or changed systems, and Strata were running penetration testing where necessary, to ensure these were secure. The GCS email system had now been replaced with the Government Secure system which uses TLS encryption. A funding bid for Cyber risk awareness training was also being submitted.

Freedom of Information (FOI) requests were averaging approximately 40 per month and Subject Access Requests (SAR) were being received, with some requests being used as a means to access confidential and exempt information, held by the Council.

In response to a question she confirmed to Members, that both Strata and Devon County Council had an email filtering system in place between the two authorities for increased security.

Resolved

That the Audit Scrutiny Committee note the verbal report.

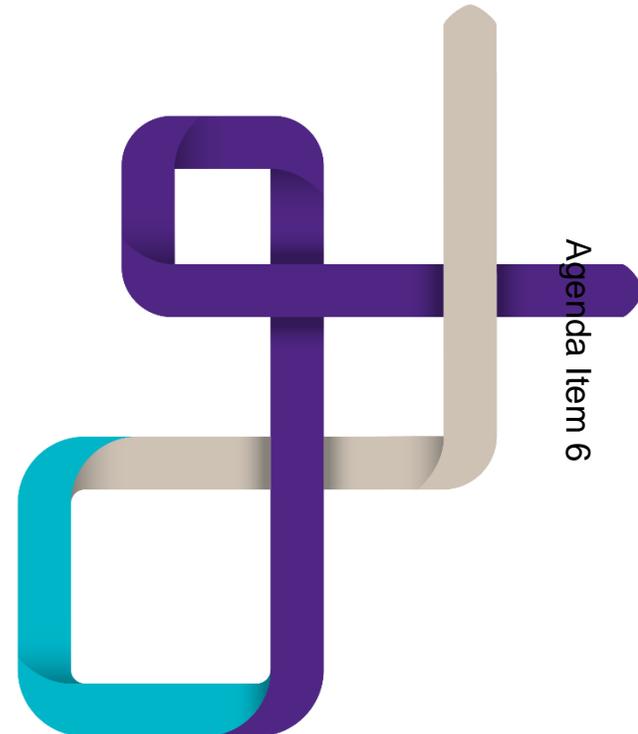
Cllr Chris Clarence  
Chairman

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# External Audit Plan

*Year ending 31 March 2019*

Teignbridge District Council  
21 March 2019



# Contents



## Your key Grant Thornton team members are:

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## Section

	Page
1. Introduction & headlines	3
2. Key matters impacting our audit	4
3. Significant risks identified	5
4. Other matters	8
5. Materiality	9
8. Value for Money arrangements	10
9. Audit logistics, team & fees	11
10. Early Close	12
11. Independence & non-audit services	14

## Appendices

### A. Audit Approach

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

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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Teignbridge District Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Teignbridge District Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Scrutiny committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Scrutiny Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

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## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- management over-ride of controls,
- the valuation of land and buildings, and
- the valuation of pension liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

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## Materiality

We have determined planning materiality to be £1.522m (PY £1.370m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.076m (PY £0.068m).

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## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial Sustainability and the Council's arrangements for closing the funding gaps identified in the 2019 - 2022 Financial Plan.

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## Audit logistics

Our interim visit is split between February and April 2019 and our final visit will take place in June and July 2019. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £37,240 (PY: £48,363) for the Council, subject to the Council meeting our requirements set out later in this report.

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## Independence

We have complied with 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..

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# Key matters impacting our audit

## Factors

### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

For Teignbridge District Council, there remain uncertainties around Business Rates Retention. The Council are currently forecasting achievement of its 2018/19 revenue budget, however, going forward the financial plan shows a required use of reserves to 2021/22 of circa £2.5m. The Council are currently working on plans to reduce this level of impact on reserves.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty (update as appropriate). The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

No significant impact is expected to occur on the accounts from these changes although discussions are ongoing with financial management to monitor the impact.

### Working in partnership

The Council are involved in a number of partnership initiatives including the Heart of the Southwest Devolution deal and Innovation Exeter/ Greater Devon Partnership. These are in the embryonic stages and will be key to delivering the Council's strategic priorities.

### New audit methodology

We will be using our new audit methodology and tool, LEAP for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Trust into our risk assessment and testing approach. We can ensure that our resources and testing are best directed to address your risks in an effective way.

### Capital projects

The Council have a number of large capital projects that are ongoing and have recently purchased the Minerva building.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements.
- We will follow up prior year recommendations as part of our interim visit.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- We will continue to discuss the progress of key strategic partnerships with senior management.
- We will ensure that officers are aware of the changes in our audit approach to ensure that the audit process runs smoothly.
- We will maintain a watching brief in relation to key capital projects and consider the appropriateness of any subsequent accounting treatment.

# Significant risks identified

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

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>The revenue cycle includes fraudulent transactions</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.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and 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 do not consider this to be a significant risk for Teignbridge District Council.</p>
<p><b>Management over-ride 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.</p> <p>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>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence;</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

11

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of land and buildings</b>	<p>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 (circa £80 million – Net Book Value) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>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.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuations were carried out;</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>• test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register;</li> <li>• evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of Pension Fund Net Liability</b>	<p>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.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£90 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>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.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

13

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

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# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

14

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

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 Council's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

## The concept of 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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

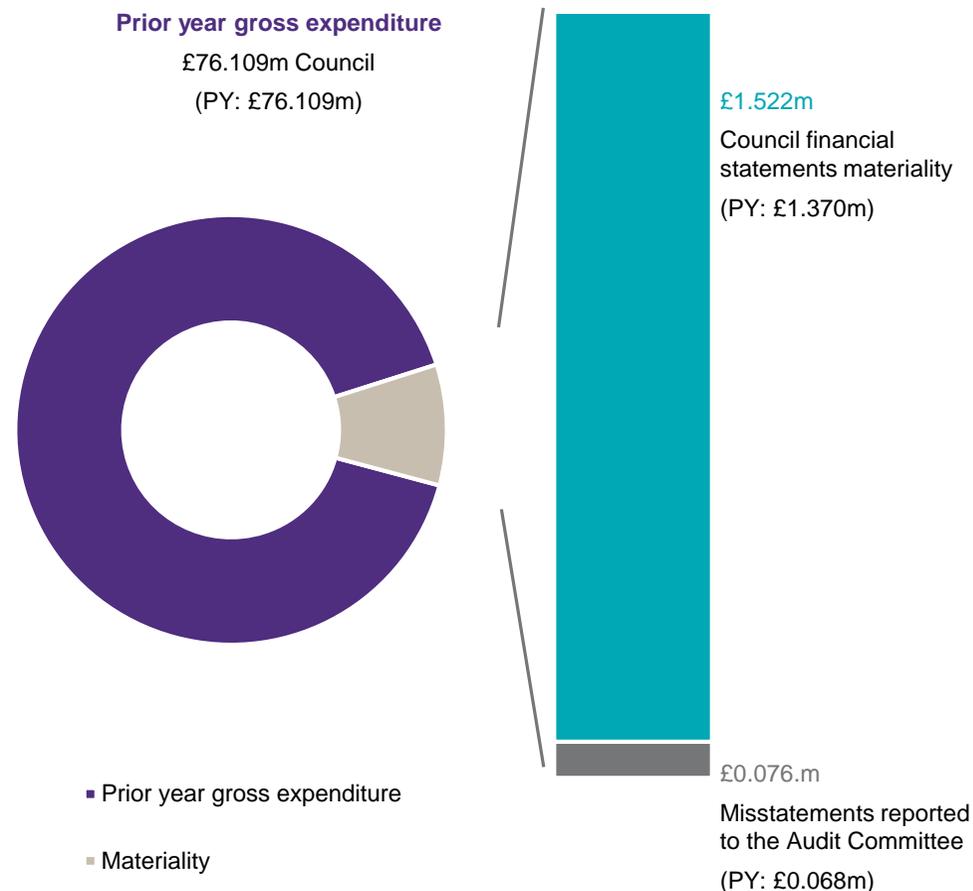
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.522m (PY £1.370m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £5,000 for Senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.076m (PY £0.068m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Scrutiny Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

## Background to our VFM approach

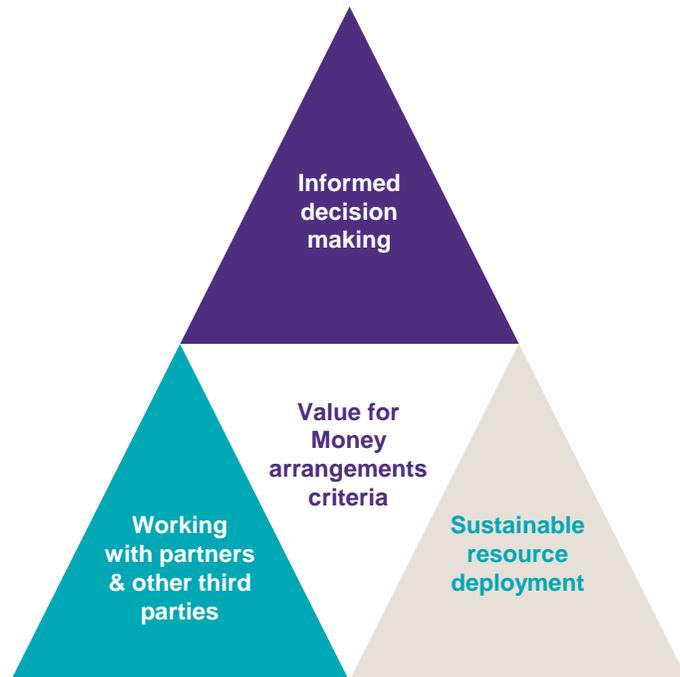
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money.

The guidance 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:

16



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



### Financial Resilience

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.

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.

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).

The Council is currently working on an income generation and cost reduction programme to limit the future impact on reserves.

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, monitoring and reporting progress in closing the funding gap.

# Audit logistics, team & fees



## Julie Masci, Engagement Lead

Responsible for overall quality control; accounts opinions; final authorisation of reports; attendance at Audit Scrutiny Committee.



## Andrew Davies, Audit Manager

Responsible for the overall management of the audit; consideration of VFM work; quality assurance of audit work and outputs.



## Jonathan Stancombe, Audit Incharge

Responsible for management of audit fieldwork, including accounts; coordination of work completed by audit assistants; coordination of work of specialists and advisors where delegated by the Manager.

## Audit fees

The planned audit fees are £37,240 (PY: £48,363) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Early close

## Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 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.

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 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following other services were identified:

10

Service	£	Threats	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.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

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# Appendices

## A. Audit Approach

20

# Audit approach

## Use of audit, data interrogation and analytics software

### LEAP



#### Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- cloud-based industry-leading audit tool developed in partnership with Microsoft



### IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

### Appian



#### Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

### Inflo



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



#### ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



#### FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



#### INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons



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# Audit Progress Report and Sector Update

## Including 2018/19 Interim Audit Update and the 2017/18 grants outturn report

23

Teignbridge District Council  
Year ending 31 March 2019

21 March 2019



# Contents

Section	Page
Introduction	3
Progress at March 2019	4
Audit Deliverables	6
Results of Interim Audit work	7
Sector update	10
Grant Certification Outturn 2017/18	19
Our external audit commitment	22

# Introduction



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25

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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 our interim audit work and results;
- a summary of emerging national issues and developments that may be relevant to you as a Council; 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).
- Teignbridge District Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts in 2018/19. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, [www.psa.co.uk](http://www.psa.co.uk). Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out our commitment to deliver a high quality audit service on page 23 of this report. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.
- An outturn report for the Grant Certification work completed in 2017/18.

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](http://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 update

# Progress at March 2019

## Financial Statements Audit

We have completed our planning which included meetings with officers and review of Council (and other committee) papers.

Our audit risks are set out in our Audit Plan included as a separate item on the March 2019 Audit Scrutiny committee agenda. This plan also sets out our proposed testing to address each of the risks identified.

27 At the time of writing this report we have partially completed our interim audit work. This included:

- Review of the Council's control environment;
- Updating our understanding of the Council's financial systems;
- Review of Internal Audit reports on core financial systems;
- Early work on emerging accounting issues;
- Early substantive testing;
- A detailed review of management's assessment of going concern; and
- A detailed review of significant accounting estimates proposed by the Council for the 2018-19 accounts.

The results of this work is set out on page 7 of this report.

## 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 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 December 2018 Audit Scrutiny Committee report we have certified the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The claim was certified prior to the 30 November 2018 deadline.

The results of our work are reported to you on page 19 of this report.

### 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
<b>Fee Letter</b> Confirming the audit fee for 2018/19.	March 2018	Complete
<b>Accounts Audit Plan</b> 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	Included on the March 2019 agenda
<b>Interim Audit Findings</b> 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	Included on the March 2019 agenda
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit Scrutiny Committee.	17 July 2019	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	17 July 2019	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2019	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work.	November 2019	Not yet due

# Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
<b>Internal audit</b>	We have written to Internal Audit regarding fraud and irregularities in accordance with the requirements of ISA 240. We will update our review of Internal Audit's reports as part of our second interim visit.	Our enquiries and our review of internal audit's work to date has not identified any weaknesses which impact on our audit approach.
<b>Entity level controls</b>	We have obtained an understanding of the overall control environment with a focus on the areas that could affect the preparation of the financial statements including: <ul style="list-style-type: none"><li>• Risk assessment processes</li><li>• Monitoring of controls, and</li><li>• Information and communication.</li></ul>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.

29

	<b>Work performed</b>	<b>Conclusions and recommendations</b>
<b>Review of information technology controls</b>	We will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system.	Work has not yet been fully completed and will be a joined-up review for all organisations supported by Strata. We will also carryout a specific review at the systems level for Teignbridge.
<b>Understanding business processes</b>	<p>We have obtained and documented an understanding of the Council's business processes where we have considered that the class of transaction is significant to the financial statements. This has therefore, been completed for:</p> <ul style="list-style-type: none"> <li>• Cash</li> <li>• Collection Fund</li> <li>• Creditors/ Purchases</li> <li>• Debtors/ Fees and Charges</li> <li>• Grant Income</li> <li>• Investments</li> <li>• Payroll</li> <li>• Pensions</li> <li>• Provisions</li> <li>• Plant, Property and Equipment</li> <li>• Welfare Benefits</li> </ul>	No weaknesses were identified through obtaining an understanding of the business processes. The Council has processes and procedures in place that encourage good internal control.
<b>Walkthrough testing</b>	<p>We have completed a walkthrough test of the Council's controls operating in relation to journals.</p> <p>We will conduct walkthroughs of the areas where we consider that there is a risk of material misstatement to the financial statements. These areas are the valuation of the net pensions liability and property plant and equipment.</p> <p>Both of these areas are year end process and we have therefore not been able to complete this work at the interim visit.</p> <p>We have however documented the business processes in relation to these significant risk areas.</p>	Our work has identified a control weakness in the area of journals controls – more detail is provided on the following page.

	<b>Work performed</b>	<b>Conclusions and recommendations</b>
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>A control weakness has been identified relating to users being able to post journals without authorisation.</p> <p>Users can post journals without authorisation onto the financial system. Hardcopy journals are retained which show both the inputter and the authoriser. This does not however prevent a user inputting a journal without hardcopy authorisation.</p> <p>This increase the risk of misstatement in the financial statements.</p> <p>The council have mitigating controls in place. All journals posted over £100k are reviewed weekly by the Section 151 (or Deputy) officer. All journals over £50k are reviewed monthly by the Section 151 (or Deputy) officer.</p> <p>Our detailed journals testing will be completed at the year end.</p>	<p>The identified weakness in the journals authorisation process will be taken into consideration during testing.</p> <p>We will review the Council's internal checks to see if they are effective in detecting or correcting misstatements.</p> <p>We recommend that there is a separation of duties for raising and authorising journals where practicable.</p>
<b>Early substantive testing</b>	<p>We have undertaken early substantive testing in the areas detailed below:</p> <ul style="list-style-type: none"> <li>• Operating expenditure</li> <li>• Other revenue</li> <li>• Welfare benefits</li> </ul> <p>A sample of transactions from month 1 to month 9 was tested for each transaction type which were agreed to supporting documentation.</p>	<p>No issues were identified through our early substantive testing. All transactions sampled were agreed to appropriate and sufficient supporting documentation.</p>

# Sector update

# 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

# Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

34

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

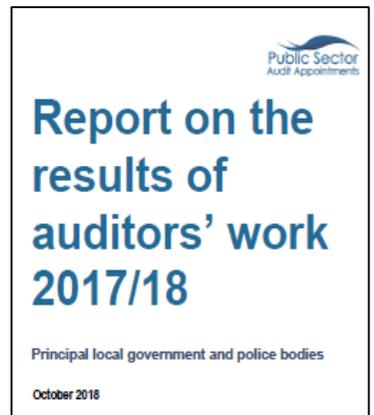
The report is available on the PSAA website:

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

## PSAA Report

### Challenge question:

Has your Council identified improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?



# National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

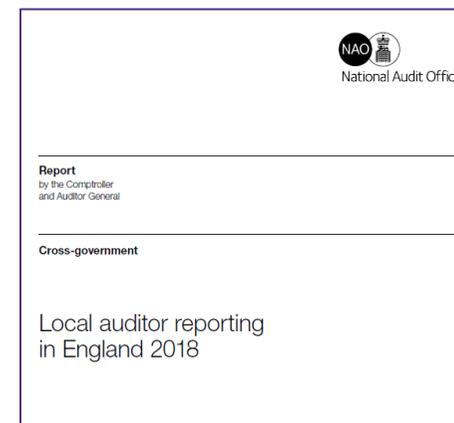
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

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



## NAO Report

### Challenge question:

Has your Council responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?



# National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

The report is available on the NAO website:

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

## NAO Report

### Challenge question:

Has your Council got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



# CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

## CIPFA Consultation

### Challenge question:

Has your Head of Finance briefed members on the Council’s response to the Financial Resilience Index consultation?



# ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

## Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

## What's the problem?

### • Short-term solvency vs. Longer-term value:

- **WGLG & NHS:** Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

## Future financial viability of local public bodies

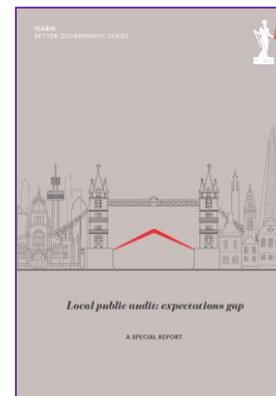
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

## The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

## More information can be found in the link below (click on the cover page)



## The expectations gap

### Challenge question:

How effectively is the audit meeting client expectations?



# Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

Ω In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

## What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

## How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

# Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies. Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

40

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

## Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

## Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

## Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

## Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

**Your organisation** – including considerations on workforce, funding, and changes to legislation

**Your services and suppliers** – ensuring that critical services are protected and building resilience within supply chains

**Your place** – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

## Brexit

### Challenge question:

How well advanced are your Council's plans for Brexit?



# Grant Certification outturn 2017-18

# Grant Certification Outturn 2017/18

This section summarises our grants certification work and fees charged for 2017/18.

## Introduction

We are required to certify the Housing Benefit subsidy claim submitted by Teignbridge District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to expenditure of £33.212 million.

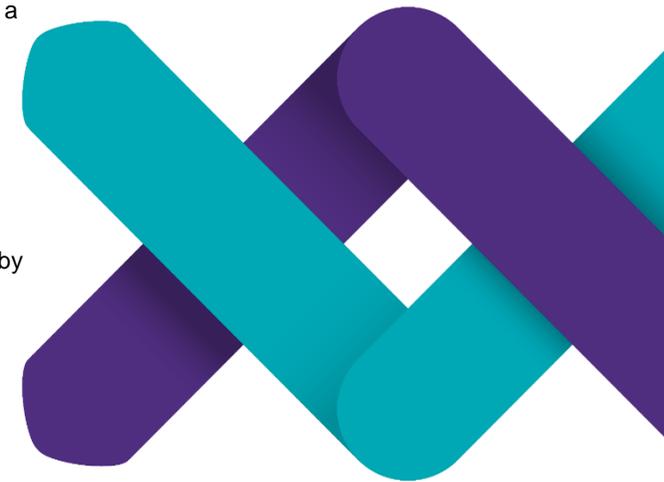
We identified one issue from our certification work, that we wish to highlight for your attention.

- In 2016/17, we identified two cases (total value £280) where benefit had been overpaid as a result of the Authority miscalculating the claimant's earned income.
- We followed up the error with additional testing in 2017/18. As a result, we identified one case where benefit had been underpaid as a result of the Authority miscalculating the claimant's average weekly income. The value of the underpayment was £8.99 and this impacted cells 094 and 103 and the benefit period covered was 9 to 10 weeks.
- As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

As a result of the error identified, the claim was qualified but not amended, and we reported our findings to the DWP on 20 November 2018. The DWP may require the Council to undertake further work or to provide assurances on the errors we have identified.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £5,478. No additional fee is deemed necessary. This is set out in more detail in Appendix A.

42



# Appendix A – Summary of results and fees

## Housing Benefit return

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£33,212,193	No	N/A	Yes	None.

43

Claim or return	2015/16 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim	£5,478	£5,478	£5,478	£0	Additional work required was in line with the levels required in 2015/16. Therefore no fee variation has been applied.

# Our external audit commitment

## Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

*"I have found Grant Thornton to be very impressive.....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."*

Director of Finance, County Council

## Local Government audits 2018/19 and beyond Grant Thornton's External Audit commitment

### Our relationship with our clients— why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLACE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

### New opportunities and challenges for your community

#### The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – funding gaps and pressure on services
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

### Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, restructuring, partnership working, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example financial management, reporting and governance.
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

## Grant Thornton in Local Government

### Our client base and delivery

- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

### Our connections

- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

### Our people

- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

### Our quality

- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

### Our technical support

- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies



**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT: POLICY STATEMENT, CLAUSES TO BE ADOPTED, STRATEGY STATEMENT AND AUTHORISED LENDING LIST FROM 28 FEBRUARY 2019**  
**MINIMUM REVENUE PROVISION ANNUAL STATEMENT**

## **Background**

The Local Government Act 2003 requires local authorities to “have regard” to the Chartered Institute of Public Finance & Accountancy (CIPFA) Treasury Management (TM) Code and Prudential Code. Teignbridge District Council is guided by the CIPFA *Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2017*, which requires that local authorities report annually on their treasury strategy and plan before the start of the year. The *Prudential Code* requires local authorities to set and revise prudential indicators, while the Ministry of Housing, Communities and Local Government (MHCLG)’s 2018 *Statutory Guidance on Local Government Investments (3<sup>rd</sup> Edition)* requires authorities to produce a publicly available investment strategy setting out policies for managing investments.

## **Review of Treasury Management Policy Statement**

The CIPFA *Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2017* recommends in Section 6 that an organisation’s treasury management policy statement adopts the following form of words to define the policies and objectives of its treasury management activities. There has been no change since February 2018, however the statement is shown in full below:

1. Teignbridge District Council defines its treasury management activities as:  
The management of its investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. Teignbridge District Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. Teignbridge District Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

Please see Strategy below for more information about policies for borrowing and investments.

The Code also recommends that all public service organisations adopt the following four clauses, which Teignbridge District Council did in February 2018. There has been no change since then.

## **Clauses adopted**

1. Teignbridge District Council will create and maintain, as the cornerstones for effective treasury management:
  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT: POLICY STATEMENT, CLAUSES TO BE ADOPTED, STRATEGY STATEMENT AND AUTHORISED LENDING LIST FROM 28 FEBRUARY 2019**  
**MINIMUM REVENUE PROVISION ANNUAL STATEMENT**

- Suitable treasury management practices (TMPs), setting out the manner in which Teignbridge District Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 2. Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed by its TMPs.
- 3. Teignbridge District Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive Committee, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with Teignbridge District Council's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- 4. Teignbridge District Council nominates the Audit Scrutiny Committee to be responsible for ensuring the effective scrutiny of the treasury management strategy and policies.

## **Treasury Management Strategy**

### **Managing Risk**

It is CIPFA's view that the overriding aim of the treasury management function should be the effective identification, monitoring and control of risk. The TM Code identifies the main treasury management risks. These are considered in detail within Teignbridge District Council's TM Practices, which are available within Finance. This strategy sets out the council's approach to investments and borrowing and in particular, credit and counterparty risk, liquidity risk, interest rate risk and refinancing risk.

### **Interest rate risk**

This is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on an organisation's finances, against which it has failed to protect itself adequately.

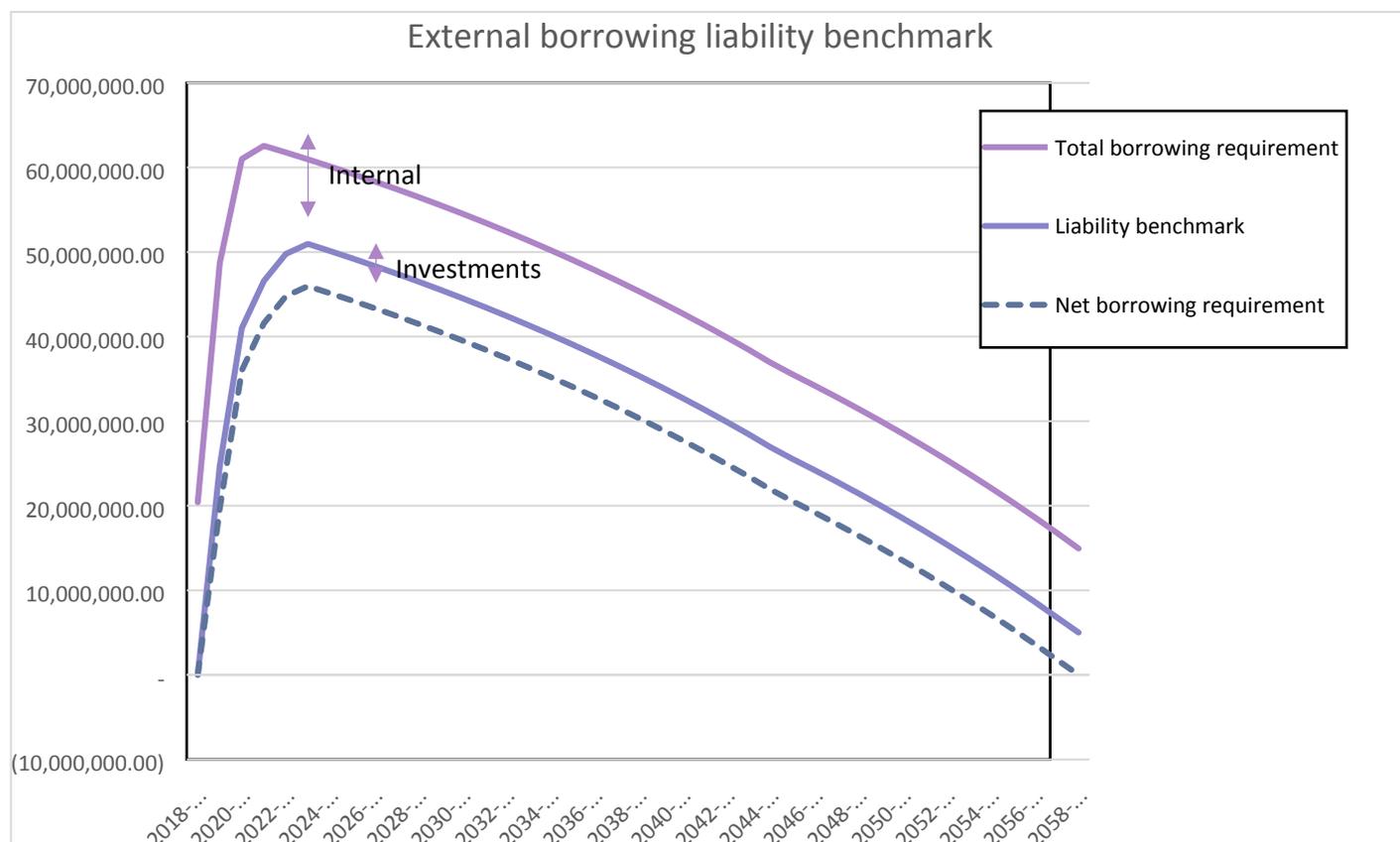
The treasury management team actively monitors interest rates and provides a monthly interest forecast report in order to regularly assess the impact of interest rate changes on the council's budgets.

The council does not currently have any long-term external borrowing. However there are policies in place through the Prudential Indicators to ensure a planned and well-balanced spread of maturity dates. This is in order to reduce the prospect of having to negotiate refinancing at an unfavourable time.

The review of the Treasury Management Code has removed the requirement for an interest rate exposure indicator. However, the councils are encouraged to define their own "liability benchmark". This has been calculated by working out the total borrowing requirement should the provisional capital programme expenditure occur, then adjusting for sums which could be funded by internal borrowing. A liquidity allowance is factored in to ensure that funds are available for regular outgoings (see Liquidity below). This is currently assumed to be a minimum £5 million average daily lending.

The liability benchmark is a tool which allows measured borrowing decisions to be made in relation to the amount and maturity profile of loans, which manages interest rate exposure.

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT: POLICY STATEMENT, CLAUSES TO BE ADOPTED, STRATEGY STATEMENT AND AUTHORISED LENDING LIST FROM 28 FEBRUARY 2019**  
**MINIMUM REVENUE PROVISION ANNUAL STATEMENT**



The council does not use financial instruments based on derivatives for interest rate risk management.

**Investments**

The Ministry of Housing, Communities and Local Government updated their investment guidance in 2018. In conjunction with the updated TM Code, the definition of “investments” covers all financial assets including those which are held primarily for financial return such as investment property portfolios. It is recognised that this may include investments which are not managed as part of normal treasury management.

Investments can fall into one of the following four categories:

**Specified investments** (short term, sterling investments made with a body of high quality, the UK government or local authorities). Teignbridge District Council’s treasury management transactions fall into this category. They contribute to the objectives stated above in the policy statement. The principles of the TM Code to prioritise security, liquidity and yield, in that order of importance, applies to these investments.

**Loans** (for local enterprises as part of a wider strategy for economic growth)

**Non-specified investments** (any financial investment that is not a loan and does not meet the criteria of specified investments).

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT: POLICY STATEMENT, CLAUSES TO BE ADOPTED, STRATEGY STATEMENT AND AUTHORISED LENDING LIST FROM 28 FEBRUARY 2019**  
**MINIMUM REVENUE PROVISION ANNUAL STATEMENT**

**Non-financial investments** (generally involving a physical asset that can be realised to recoup the capital investment). Teignbridge District Council does not hold any such investments purely for financial gain. However, the council recently invested in Newton Abbot town centre (Market Walk) for regeneration and local economic benefit purposes. Provisions in the capital programme are for projects which are for a combination of service delivery, regeneration and local economic benefits.

The Council's capital strategy sets out its approach to potential future non-financial investments resulting from commercial activity.

**Security**

As stated in the MHCLG investment guidance, the council's investment priorities are security of the principal sums and liquidity, keeping money readily available for expenditure when needed. Yield becomes a consideration after the priorities have been satisfied.

All investments made for treasury management purposes are "specified" investments as defined in the MHCLG investment guidance; in sterling, with a maturity of no more than one year, placed with the UK government, other local authorities or bodies and investment schemes of high credit quality, determined by the lending list.

In relation to treasury management, the maximum value and period of investment with any one organisation will be dependent on a score based on credit ratings. Institutions are graded to allow larger sums and longer investments with the strongest banks and building societies, capitalising on the better terms available while actively maintaining a breadth of counterparties, allowing us to spread our investments and achieve effective risk management.

One organisation is defined as a banking group or other institution, including any subsidiaries. If the maximum amount is invested with one subsidiary, no more will be invested within that group.

For non-financial investments, there is a requirement for proposed business cases to demonstrate rigorous due diligence checks prior to investment, followed by regular monitoring of the value and performance of the asset. While Teignbridge District Council's investment in Market Walk was primarily for regeneration and local economic benefit purposes, specialist consultants were involved in the extensive due diligence phase of this investment.

Annual assessments of fair value are carried out and monitored against the original capital investment, to take account of changes in the market and other conditions. In the case of Market Walk, the underlying assets continue to provide sufficient security for the capital investment to date. Minimum revenue provision is being set aside in relation to this investment, mitigating against the possibility of adverse valuation changes and also, ongoing refurbishment or replacements.

The revenue budgets arising from this investment are monitored as part of the budget monitoring which feeds into the regular reports provided by the Chief Finance Officer to SLT, CMT and Executive. In addition, the estates team track rent receipts and market conditions for early indications of potential problems.

**Credit and counterparty risk**

This is the risk of failure by a counterparty to meet its contractual obligations, particularly as a result of diminished creditworthiness.

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT: POLICY STATEMENT, CLAUSES TO BE ADOPTED, STRATEGY STATEMENT AND AUTHORISED LENDING LIST FROM 28 FEBRUARY 2019**  
**MINIMUM REVENUE PROVISION ANNUAL STATEMENT**

Teignbridge District Council regularly monitors the standing of counterparties it does or may deal with and maintains an authorised lending list, which is updated quarterly.

**Use of ratings**

The MHCLG investment guidance requires that the annual strategy statement details the authority's use of ratings and external treasury advisors.

There are three main ratings agencies: Fitch, Moody's and Standard and Poor. These agencies provide an opinion on the ability of the institutions to repay short and long-term investments, whether there is likelihood of them receiving state support should they run into difficulties and their general financial strength.

The council's TM schedules require that institutions meet the following minimum ratings:

Ratings Agency	Long Term	Short Term	Baseline Credit Assessment/ Bank viability
Fitch	BBB	F2	bbb
Moody's	Baa2	P2	baa2

While ratings from all agencies are considered, our scoring system is based on those of Moody's and Fitch. Standard and Poor do not cover some of the institutions on our list. Ratings are reviewed quarterly. In addition, they are monitored if there is any news of changes in the press and before any investment. If ratings have fallen below the minimum acceptable level, an alternative would be sought.

In addition to considering ratings from agencies, use is made of market indicators, such as share prices where available. Financial news is monitored in sector journals and the quality press. Daily relevant financial news updates and market commentaries are received by email from brokers and the Council's bank. These enable assessment of future treasury risks and scenarios in order to develop suitable risk management strategies. Teignbridge District Council does not currently use external treasury management advisors.

**Liquidity**

Length of treasury management investments will take into consideration that monies are available to meet large regular outgoings such as BACS payments for creditors, benefits and salaries and other regular commitments such as precepts and non-domestic rates contributions. A cash flow planner is maintained with details of regular payments and receipts. Other information is recorded as it becomes available, for example payments in relation to capital projects. This is in order to identify whether Teignbridge District Council may be exposed to the effects of potential cash flow variations and shortfalls. The maximum length of an investment will depend both on when funds will be required and on the ratings of the institution with which the investment is placed.

Treasury management practices have been adopted in accordance with Teignbridge District Council's policy statement, whilst adhering to the approved borrowing limits and lending list.

These activities are carried out daily to ensure the current account bank balance is near to zero in order to maximise investment returns whilst minimising risk and protecting capital.

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT: POLICY STATEMENT, CLAUSES TO BE ADOPTED, STRATEGY STATEMENT AND AUTHORISED LENDING LIST FROM 28 FEBRUARY 2019**  
**MINIMUM REVENUE PROVISION ANNUAL STATEMENT**

In the case of non-financial investments, it is recognised that it may not be possible to give priority to security and liquidity over yield due to the nature of the assets. It is expected that the risks associated with non-financial investments are clearly set out as part of the reporting required in line with the capital approval process. This would include market assessments, the nature and level of competition, how market/customer needs will evolve over time and barriers to entry and exit. In the case of Market Walk, specialist consultants were appointed to provide detailed analysis.

**Staff training**

The MHCLG investment guidance requires that the annual strategy gives details of procedures for reviewing and addressing the training needs of the authority's treasury management staff and members.

All new members are offered a Budget and Financial Management Seminar, which includes an overview of Treasury Management.

Treasury staff receive internal training from experienced staff and managers. Staffing is arranged so that a bank signatory (all experienced managers), is always available for consultation on decisions. Procedure and system notes, together with official guidance from CIPFA and the MHCLG are maintained for consultation within the section. These are updated for any changes, which are also communicated to the relevant staff. Bank signatories are professionally qualified accountants, with the officers carrying out daily procedures either studying with or AAT-qualified. Cover staff have regular experience of carrying out the procedures.

In relation to non-financial investments, the Council's Estates team has the experience of RICS-qualified staff. The Council has working relationships with a range of specialist consultants whose areas of expertise include property management, development and infrastructure, investment and valuation.

**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.

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT: POLICY STATEMENT, CLAUSES TO BE ADOPTED, STRATEGY STATEMENT AND AUTHORISED LENDING LIST FROM 28 FEBRUARY 2019**  
**MINIMUM REVENUE PROVISION ANNUAL STATEMENT**

Type of Lender	Details	
1. Current Banker	Lloyds Bank	£3,000,000 limit
2. Local Authorities	All	£5,000,000 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, Clydesdale and Close Brothers 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.

Bank regulations force banks to maintain “capital buffers”, classifying their deposits according to duration. Instant access accounts and short deposits are not attractive to banks as they cannot be counted towards those buffers. For this reason, interest rates on most “call” accounts remain low. Due to the internal financing of the Market Walk purchase, the daily

average available for lending has been reduced. However, analysts anticipate that the Bank of England will raise base rate by a further 0.25% to 1.00% around the third quarter of 2019.

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT: POLICY STATEMENT, CLAUSES TO BE ADOPTED, STRATEGY STATEMENT AND AUTHORISED LENDING LIST FROM 28 FEBRUARY 2019**  
**MINIMUM REVENUE PROVISION ANNUAL STATEMENT**

**Borrowing**

Section 33 of the Local Government Finance Act 1992 requires each council to set a balanced budget. The treasury management function will comply with this requirement. This means that increases in capital expenditure must be limited to a level at which increases in financing charges from increased borrowing, such as interest and minimum revenue provision, and increases in running costs are affordable for the foreseeable future. Teignbridge District Council adheres to the Prudential Code, which underpins “prudential” borrowing by ensuring that the Council takes into account the following factors:

- Strategic service objectives (in line with the Teignbridge 10)
- Stewardship of assets
- Value for money (project appraisal as required by the capital approval process)
- Prudence and sustainability (factors such as the implications of external debt; looking at whole life costing and the impact on revenue budgets)
- Affordability
- Practicality (achievability of the capital programme and staff resource requirements)

Teignbridge District Council adheres to the MHCLG investment guidance which states that money may not be borrowed in advance of need in order to invest at a profit. Any decision to borrow in advance for capital projects or debt maturities would only occur if there was a clear business case to do so. Borrowing may occur to cover temporary shortfalls in cash balances.

The liability benchmark set out in the Interest Rate Risk section above allows management of interest rate exposure while ensuring that funds are kept available for cash flow requirements.

The Council will adopt a flexible approach to borrowing, making use of internal resources and keeping shorter term borrowing under review in comparison to longer term borrowing costs. This approach has minimised financing costs for capital projects where appropriate. Acceptable sources of loans as stated in the TM schedules are the PWLB, local authorities, public bodies and UK banks and building societies. Officers will also review alternative sources of borrowing and select those offering the best value for money to the Council at the time the funding is required.

**Prudential indicators**

The Prudential Code requires local authorities to set prudential indicators for capital finance for the forthcoming and following years, monitoring actual figures from previous years where required. This is done before the beginning of the forthcoming year, through the processes established for the setting and revising of the budget. The prudential indicators may be revised at any time, following due process and taking into account their affordability. The prudential and treasury indicators in appendix 10 take into account the affordability of the Council’s capital finance plans, ensuring that borrowing remains within prudent and sustainable levels and that treasury management decisions are taken in accordance with good practice.

The Council’s capital strategy takes a long-term view of proposed borrowing to fund capital expenditure, together with the financing costs (interest and Minimum Revenue Provision).

**TEIGNBRIDGE DISTRICT COUNCIL TREASURY MANAGEMENT: POLICY STATEMENT, CLAUSES TO BE ADOPTED, STRATEGY STATEMENT AND AUTHORISED LENDING LIST FROM 28 FEBRUARY 2019**  
**MINIMUM REVENUE PROVISION ANNUAL STATEMENT**

Regulation 28 of The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 states that 'A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent'. The provision is made from revenue in respect of capital expenditure financed by borrowing or credit arrangements. These amounts make up the Council's capital financing requirement (CFR).

With all options MRP should normally commence in the financial year following the one in which expenditure was incurred. Regulation 28 does not define 'prudent'. However statutory guidance, which authorities must "have regard" to, has been issued by MHCLG. It makes recommendations to authorities on the interpretation of that term. The broad aim is to put aside revenue over time to cover the CFR. The MHCLG guidance was updated in 2018 (applicable from 1 April 2019) to include a number of clarifications on determining a prudent level of provision. MRP can only be nil if a local authority's capital financing requirement is nil or negative on the last day of the preceding year, or a previous year's overpayment is being offset. The Council has a positive capital financing requirement, mainly due to the purchase of Market Walk.

The first recommendation given by the guidance is to prepare, before the start of each financial year, an annual statement of the policy on making MRP in respect of that financial year and submit this to Full Council for approval. The guidance recommends that 'prudent' provision should be made in accordance to the following:

- That the provision should ensure that debt is repaid over a period similar to one over which the capital expenditure provides the benefit, or if it is government-supported borrowing, over the period in the grant determination.
- That the provision should be calculated by one of the four methods that the Secretary of State considers appropriate to making prudent provision although it is recognised that other approaches are not ruled out.

From 2019-20 it is proposed to adopt option 3, the asset life (annuity) method. The annuity method differs from the equal instalment method in that the amounts payable start low and increase over time. This is because it is a method often used to calculate loan repayments, where it is required that the total amount of principal and interest repaid each year is a common amount. It is therefore suited to investments where revenues will increase over time. It also takes into account the time value of money.

Investment assets may also be sold to repay any outstanding debt liabilities.

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## AUDIT SCRUTINY COMMITTEE

**CHAIRMAN:** Cllr Chris Clarance

**DATE:** 21 March 2019  
**REPORT OF:** Audit Manager  
**SUBJECT:** INTERNAL AUDIT REPORT

**PART I**

**RECOMMENDATION**

**To note the report.**

**1. PURPOSE**

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

**2. BACKGROUND**

2.1 The Audit Plan is approved by the Audit Scrutiny Committee in March annually 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 2018 – 2019 Progress at 21 March 2019

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

- 3.1 Summarised findings for audits recently completed is shown in **Appendix A** below.
- 3.2 Additionally, an external quality review is being undertaken to measure the service against the Public Sector Audit Standards (results to be reported to the next meeting), and the service's Business Plan has been updated.
- 3.3 Members of team continue to support corporate projects with roles in: One Teignbridge; the Infrastructure Requirements Board; Procurement Champions Group and co-ordinating the National Fraud Initiative.

#### **4. INFORMATION GOVERNANCE UPDATE**

- 4.1 We've been busy raising awareness with updates on Data Protection and Cyber threats in various staff and member newsletters. Approximately 25 Data Guardians and other staff were given Data Protection update training in January, and we are planning ahead for an exciting session on Information Governance and Cyber Security for member inductions in May.
- 4.2 We keep a regular review of Strategic and Corporate risks "Failure of ICT measures leading to cyber attack" and "Non-compliance with Data Protection", as many of the mitigations to these risks guide our work. Compliance with the National Cyber Security Centre's "10 Steps" is monitored jointly with Strata.
- 4.3 Privacy statements have recently been added to members' personal profile pages to cover their constituent business.
- 4.4 CCTV processes are currently being reviewed, and procedures put in place to ensure all sites are compliant by way of warning signs and the secure handling requests for CCTV footage.
- 4.5 Working with Strata, all staff have now been moved off the GCSx email system which is being withdrawn at the end of March, and safely migrated to the Government Secure email system
- 4.6 An Information Governance Group has been formed internally to oversee and consider matters relating to the Council's Information Governance Framework. Membership comprises members of the Audit and Information Governance team, Legal colleagues, and Strata Security and Compliance staff.
- 4.7 We're keeping a watchful eye on Brexit implications. At the time of writing, if any data is held in the EU, these could be classed as "restricted transfers" between the UK and the EEA, which were previously permitted between EU members states. The UK is likely to be classed as a "third country" until the EU can make a formal "adequacy decision" that the UK offers an adequate level of protection. This means organisations may need to consider measures such as contractual clauses in the meantime. We therefore undertook a stocktake of where Teignbridge data was held to ensure we're prepared. Of our 21 main systems, all but three are hosted in the UK, one is in Oslo and two in the US. The fact that Strata host many systems internally and not in the cloud is advantageous as cloud systems are more likely to hold data outside the UK.
- 4.8 As GDPR is EU legislation, the Government plans to incorporate it into UK law on exit. There may therefore be some minor changing of wording on our privacy notices and other documentation to reflect the changes.
- 4.9 We are pleased to report there have been no reportable data breaches, and 23 Subject Access Requests have been made since GDPR came in May 2018.

- 4.9 Data Protection Impact Assessments (DPIA's) for new and changing systems occupy much of our time ensuring we make data protection an essential component of our processing systems. DPIA's currently in progress:

1	Firmstep	Customer Platform
2	Qmatic	Customer Flow Management
3	Granicus	Newsletters
4	iTrent	Payroll / HR
5	Body Cams	Body worn cameras for car parks and EH.
6	Modern Gov	Committee Support System
7	WSP Taranto Car Parks	Replacement Sidem system
8	Doc.mail	Letter printing and delivery
9	Gov.Notify	SMS messaging to support Qmatic.
10	Open Portal	Revs and Bens
11	Bartec - Collective	Waste and Recycling
12	ClaimControl Insurance	Insurance 'Back Office' Management
13	Cemeteries	Replacement system
14	Open Channel Forms	Revenue and Benefits
15	Green Deal PRS Register	Housing

- 4.10 Other work is ongoing such as daily queries and advice, as well as our long term programme of compliance work e.g. currently checking to ensure all contracts have the necessary data sharing and processing agreements, and reviewing data registers etc.
- 4.11 Finally, Freedom of Information requests were averaging approximately 45 per month throughout 2018 but we had a sudden unexplained increase to 80 in January 2019. Thankfully, normality has resumed since. There have been two internal reviews requested since January and we are dealing with two ICO complaints (both from the same applicant). Average processing time is 9.5 days (target is 20 days).

## 5. CONCLUSION AND RECOMMENDATION

- 5.1 Members are recommended to note the report.

### Sue Heath - Audit Manager

<b>Wards affected</b>	<i>N/A</i>
<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>Audit Files and Final Reports File 2018 – 2019</i>
<b>Key Decision</b>	<i>N</i>
<b>In Forward Plan</b>	<i>N</i>
<b>In Audit Scrutiny Work Programme</b>	<i>Y</i>

**TEIGNBRIDGE DISTRICT COUNCIL  
AUDIT SCRUTINY COMMITTEE**

**Summary of Internal Audits Completed**

PROJECT TITLE	SUMMARY
<p><b>Housing Allocations</b></p> <p><b>Audit Opinion:</b> <b>Good ☆☆☆</b></p>	<p>The audit was requested by the Interim Head of Service Delivery and Improvement to review use of the Devon Home Choice (DHC) Policy and Procedure, their effectiveness and to confirm required eligibility and verification checks are carried out. Focus was on social housing fraud detection and prevention.</p> <p>We reviewed the DHC Policy, Procedure and Partnership Agreement to ascertain eligibility and verification requirements. We selected a sample of recent lets (covering four landlords) and identified what checks were made to verify information at the points of registration and let. Findings were positive and assurance gained that policy and procedure requirements are met. Robust processes are in place to ensure eligibility is determined and verification of information is undertaken prior to properties being allocated.</p>
<p><b>Benefits and Council Tax Support</b></p> <p><b>Audit Opinion:</b> <b>Good ☆☆☆</b></p>	<p>Housing Benefits and Council Tax Support are administered on the Open Revenues system with document management and workflow via Comino. The annual review considered the key risks of inappropriate or inaccurate amendments and untimely, inappropriate or inaccurate payments made or not recovered. Key controls were examined relating to these.</p> <p>Generally good systems are in place to ensure accuracy of payments and an overall opinion of good was given. Only a small number of relatively minor issues were identified, for example the level of quality control checks being undertaken. Three recommendations were made.</p>

61

**TEIGNBRIDGE DISTRICT COUNCIL  
AUDIT SCRUTINY COMMITTEE**

**Summary of Internal Audits Completed**

<p><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:</p>	
<p><b>Housing Contracts Management</b></p> <p><b>Audit Opinion:</b> <b>Fair ★★</b></p>	<p>Original audit: September 2018    Follow Up: January 2019</p> <p>Six recommendations were made. These are all in progress. A further follow up is planned for May 2019.</p>
<p><b>Council Tax</b></p> <p><b>Audit Opinion:</b> <b>Good ★★★</b></p>	<p>Original audit: March 2018    Follow up: February 2019</p> <p>None of the 6 recommendations are outstanding.</p>
<p><b>NDR (Business Rates)</b></p> <p><b>Audit Opinion:</b> <b>Good ★★★</b></p>	<p>Original audit: April 2018    Follow up: February 2019</p> <p>Four recommendations were made both all of which have been implemented.</p>
<p><b>Debtors</b></p> <p><b>Audit Opinion:</b> <b>Good ★★★</b></p>	<p>Original audit: April 2018    Follow up: February 2019</p> <p>1 on-going action relating to parking penalty charge notices - now incorporated into the current audit .</p>

62

TEIGNBRIDGE DISTRICT COUNCIL

**AUDIT SCRUTINY COMMITTEE**

**CHAIRMAN:** Councillor Chris Clarence

**DATE:** 21 March 2019  
**REPORT OF:** Audit 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 December 2018 monitoring report:

<b>Proposing Officer</b>	<b>Proposal / Reason</b>	<b>Approval</b>
Richard Rainbow  Drainage and Coastal Manager	<p><b>Temporary Project Management Support</b> To extend the current temporary project management being provided for the South West Coastal Monitoring Programme at 2 days per week.</p> <p>Value: <b>£4,900</b> (fully recoverable from Environment Agency grant)</p> <p><b>Reason:</b> Limited Markets</p>	Tony Watson  Interim Head of Commercial Services
Neil Blaney  Economy Manager	<p><b>Greater Exeter cluster economy</b> Purchase of a report and one year access to data to bring the Shared (East Devon, Exeter, Mid Devon and TDC) Economic Strategy in line with national and local productivity focus. It will provide new evidence to better understand the economic sectors at the Greater Exeter geography level.</p> <p>Value: <b>£3,750</b> paid by each of the four Councils (total £15,000)</p> <p><b>Reason:</b> Limited Markets</p>	Tony Watson  Interim Head of Commercial Services
Daron Hand  Group Building Surveyor	<p><b>Photo-voltaic Panels</b> Installation of phot-voltaic panels for the Teignbridge Business Centre, Heathfield.</p> <p>Value: <b>£25,384</b></p> <p><b>Reason:</b> Increased Cost / Loss of Income and Urgent Action Required</p>	Tony Watson  Interim Head of Commercial Services
Richard Rainbow  Drainage and Coastal Manager	<p><b>South West Strategic Coastal Monitoring Programme</b> Purchase of replacement of Datawell Waverider buoy to replace the damaged and uneconomic to repair Minehead Waverider buoy.</p> <p>Value: <b>£43,000</b> (fully recoverable from Environment Agency funding)</p> <p><b>Reason:</b> Limited Markets</p>	Tony Watson  Interim Head of Commercial Services

## TEIGNBRIDGE DISTRICT COUNCIL

<p>Alison Dolley</p> <p>Private Sector Housing Team Leader</p>	<p><b>Local House Condition Stock Modelling</b> To meet Housing Act requirements to review housing conditions to identify actions needed and enable resources and works to be targeted.</p> <p>Value: <b>£39,950</b> (over three years)</p> <p><b>Reason:</b> Limited Markets</p>	<p>Amanda Pujol</p> <p>Interim Head of Service Delivery and Improvement</p>
<p>Richard Rainbow</p> <p>Drainage and Coastal Manager</p>	<p><b>South West Strategic Coastal Monitoring Programme</b> Purchase of spares for hydrodynamic buoys to enable regular maintenance works to be carried out.</p> <p>Value: <b>£46,186.15</b> (fully recoverable from Environment Agency funding)</p> <p><b>Reason:</b> Limited Markets</p>	<p>Tony Watson</p> <p>Interim Head of Commercial Services</p>

#### 4. RECOMMENDATION

That the report be noted.

**Sue Heath**  
**Audit 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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