

Teignbridge District Council
Audit Scrutiny
13 February 2025
Part i

2023/24 FINAL ACCOUNTS

Purpose of Report

To bring an update on the statement of accounts for 2023/24 for Members to review and approve.

Recommendation(s)

To approve the final statement of accounts, updated Annual Governance Statement and letter of representation for 2023/24.

Financial Implications

The financial implications are contained throughout the report. The main implication is that the accounts have now been closed and partly audited. General reserves are as previously reported in August 2024 being slightly above the budgeted level anticipated at 31 March 2024 - £2.434 million. See section 3.

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Legal Implications

See section 5 – the Accounts and Audit Regulations 2015 set out the requirements for the production and publication and audit of the annual statement of accounts.

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Risk Assessment

Major risks are summarised in section 4. The most significant of these is the level of future funding from Central Government and the level of reserves held to meet future unexpected variations in income.

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Environmental/ Climate Change Implications

The revenue budget supports the funding of a Climate Change Officer and associated budget – see section 7.

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Executive Member

Councillor John Parrott – Executive Member for Resources

Appendices/Background Papers

Statement of Accounts – final statement of accounts attached as appendix and see link to draft statement of accounts below
Letter of Representation 2023/24

1. PURPOSE

To bring an update on the statement of accounts 2023/24 for Members to review and approve

2 BACKGROUND

- 2.1** The accounts and audit regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement usually has to be produced and certified by the chief finance officer by 31 May however the Covid 19 pandemic had triggered amendments to this deadline by extending this to the end of July for 2021/22. The regulations have since been amended and reverted to 31 May as the target date for production of the 2022/23 and 2023/24 statement of accounts. These changes failed to recognize the additional demands of the external auditors who increased the challenge and robustness around use of and reliance on estimates within the numbers when producing the accounts by such a date when the reversion was proposed. The LGA requested that the date for production be re-set to a more realistic date of 30 June but this was ignored by the previous Government and CIPFA. We published the accounts on 14 June for 2023/24 slightly earlier than 2022/23 accounts which were published

at the end of June 2023. The final accounts currently have to be approved by 30 September 2024. The Government have now announced updated dates to clear the back log of accounts audits with 28 February 2025 being the new back stop date for 2023/24. The deadline for production of draft accounts for 2024/25 has now moved to 30 June.

- 2.2** At the Audit Scrutiny meeting of 27 August 2024 the committee was introduced to the draft accounts and the results for the year 2023/24 including those for treasury management. The draft accounts were published on 14 June 2024.
- 2.2** The statement of accounts and financial records have been partially audited by our external auditors Grant Thornton. A full audit was not possible due to resourcing issues, audit clash with work required to implement a key financial system and with the preparation of the annual budget for 2025/26. Further difficulties were encountered by the level of testing and sampling which has increased considerably due to a change in the materiality threshold because of the backstop implications. Some minor changes to notes and wording within the accounts have been made however the core financial statements and reserves remain unaltered from the draft accounts produced. There have been some refinements to the Annual Governance Statement included in the accounts to reflect the current position. The accounts have to be signed off due to the legislative 'back stop' dates introduced for outstanding audits – being 28 February 2025 for 2023/24.
- 2.3** After approval the final accounts will be available on the website or a hard copy can be obtained. Members can access the draft accounts via this link: [Teignbridge website](#) and a hard copy is available in the Finance department.
- 2.4** The Chartered Institute of Public Finance and Accountancy (CIPFA) Toolkit for Local Authority Audit Committees published in 2006 recommended the following focus in relation to the committee's review of the financial statements:
- the suitability of accounting policies and treatments
 - any changes in, and compliance with, accounting policies and treatments
 - major judgemental arrears such as provisions
 - significant adjustments and material weaknesses in internal control reported by the external auditor

There have been no changes to these areas of work and assumptions since the accounts for each of these years were produced.

A further publication from CIPFA called Practical Guidance for Local Authority Audit Committees published in 2022 recommends focus in relation to the committee's review of the financial reporting:

- to monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met
- To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

3 FINAL STATEMENT OF ACCOUNTS 2023/24

- 3.1** The statement of accounts are now finalised, have been partially audited and there are some changes to the notes to the accounts in relation to the cash flow statement, display of a note on property, plant & equipment and other miscellaneous wording amendments. A recommendation from the auditors to reverse the capital treatment of SANGS as a prior year adjustment for the 2021/22 transaction has not been applied to the accounts. The closing general reserves at 31 March 2024 of £2.434 million are an improvement on the original budget of £134,000.
- 3.2** The balance sheet for 2023/24 shows a net worth of £143.2 million at 31 March 2024 compared to a net worth of £110.4 million at 31 March 2023. This is due mainly to a reduction in the pension fund deficit, increase in the value of property, plant & equipment and an increase in capital grants unapplied.
- 3.3** The regulations require the formal approval of the accounts and this will be signified by the Chair of Audit Scrutiny signing and dating the accounts on the page entitled the Statement of Responsibilities for the Statement of Accounts at the Audit Scrutiny meeting. This statement is from the Chief Finance Officer and will be signed by him at the same time. In addition the Annual Governance Statement will be signed at the same time by the Managing Director and Leader of the Council.

3.4 Accounting Policies and Treatments

Note 1 of the notes to the financial statements identifies the accounting policies which follow CIPFA recommendations in the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2023/24. The most significant policies relate to property, plant and equipment, charges to revenue, accruals, pensions, reserves and provisions as follows:

- All expenditure over £10,000 on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. These are valued on the basis recommended by CIPFA and in accordance with The Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. The majority of assets are valued at fair value with some at depreciated historical cost.

Property, plant and equipment excluding land are depreciated over their remaining useful life on a straight line basis.

- Charges for depreciation and impairment are made to the comprehensive income and expenditure account by direct allocation to the relevant service and then reversed out in the movement in reserves statement. Capital charges therefore help show the true cost of services but have a neutral impact on the amount required to be raised from council tax.
- The accounts are maintained on an accruals basis in accordance with the Code of Practice on Local Authority Accounting. That is all sums due to or from the council during the year are included whether or not the cash has actually been received or paid in the year.
- Accounting for the council's defined benefit pension scheme is prepared under the requirements of International Accounting Standard 19. Thus entries are made in the accounts and the valuation of liabilities is shown in the balance sheet. The notes explain that the cost of benefits is charged as they are earned but this cost is reversed out so that the charge against council tax is based on the cash payable in the year.
- Reserves are maintained to meet general rather than specific future expenditure although some can be earmarked for specific purposes. Provisions are only recognised when there is a liability that is of uncertain timing or amount. Provisions are required where Teignbridge has a present obligation as a result of a past event.

3.5 Provisions

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

- A provision of £1,007,000 or 31% has been made against a year end balance of £3,260,000 for sundry debts including rents for 2023/24. The majority of the debt relates to housing benefit overpayments where arrangement for regular affordable payments has been made. 30% is provided for small older debts still outstanding with specific appropriate provision for individual large debts. Write offs in the year were £174,000 or 1.3% of debt raised in year for 2023/24.
- The council tax gross debt at the end of 2023/24 was £7,154,000 (2022/23 £6,201,000) and write offs in the year were £159,000 (2022/23 £109,000). The write offs have remained low for each of the last five years at less than 0.3% of the debit raised. The debit raised in the year 2023/24 was £142 million and in 2022/23 £133 million. The bad debt provision for 2023/24 has

been increased to £1,946,000 being 27% of the balance - an increase of £322,000.

- For national non domestic rates the gross balance at the 2023/24 year end was £457,000 (2022/23 £581,000). Write offs were £33,000 in 2023/24 (2022/23 £33,000). The value of the bad debt and appeals provision amounts to £1.726 million at 31 March 2024 and £1.685 million at 31 March 2023 to cover potential future bad debts and appeal adjustments on rating valuations. Write offs have remained low for each of the last five years at less than 0.2% of the debit raised. The debit raised in the year 2023/24 was £41.0 million and for 2022/23 £40.4 million.

- 3.6** External audit reports - all reports from Grant Thornton regarding internal control and any other relevant matters and the officer responses for review are brought to this audit scrutiny committee. The specific comments on these accounts are in the Annual Governance Report (AGR).

3.7 Audit work to finalise the accounts

There has been a partial audit of the 2023/24 statement of accounts. As detailed above this was due to a number of factors including availability of resources, the audit clashing with the introduction of a key finance system and the work required to prepare the annual budget proposals. Added to that the complications of back stop dates to accounts preparation reduced the materiality thresholds for the auditors meaning the sample sizes in all areas increased significantly meaning even more time obtaining the relevant evidence etc. The accounts have to be signed off by the back stop date of 28 February 2025. The appropriate audit opinion will be included in the accounts when published together with an updated Annual Governance Statement for approval as an appendix to this report. We understand the audit opinion will be a 'disclaimed' opinion due to partial completion of the audit, the difference of opinion in relation to the treatment of SANGS and the brought forward disclaimer in relation to Property, Plant and Equipment. The draft audit opinion will be presented by Grant Thornton at the meeting as a separate agenda item and when confirmed and finalised incorporated into the statement of accounts.

3.8 Annual Governance Statement update

The Annual Governance Statement must reflect the 2023/24 financial year and has been reviewed and updated to reflect governance related and other events which have evolved since original publication of the draft AGS statement.

3.9 Letter of Representation

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

approval. I am currently clarifying elements of the letter for confirmation that their inclusion is valid. This will be clarified at the meeting.

3.10 Final Auditors Annual Report 2023/24

Grant Thornton will submit their final version of this report after the meeting for subsequent insertion into the statement of accounts. As referenced in 3.7 above we understand this will be a 'disclaimed' opinion. See separate agenda item.

4. RISKS

The major risks to be aware of are around future funding and the adequacy of reserves going forward and confirmation as to the correct value of those reserves. Further action is still required to address the future budget gaps. General reserves are maintained at a value higher than originally budgeted and earmarked reserves are held to help deal with future forecast funding changes and earmarked projects/schemes. These risks may impact further on the performance of treasury management and borrowing levels moving forward.

Preparation and approval of the accounts are required by the Accounts and Audit Regulations 2015 and if these regulations are not adhered to the auditors can qualify the accounts.

5. MAIN IMPLICATIONS

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

5.1 Legal

The Financial Accounts for 2023/24 need to be produced and should be audited in accordance with the Accounts & Audit Regulations 2015.

5.2 Resources and Audit Opinion

The report notes that general reserves have been maintained at a level higher than originally budgeted at 31 March 2024.

The auditors 'disclaimed' opinion will be included within the statement of accounts when published at the end of February.

6. GROUPS CONSULTED

The draft accounts are advertised as available for inspection and are available on the website. As required by legislation these will be updated with the final version including the external audit opinion on our website.

7. ENVIRONMENTAL/CLIMATE CHANGE IMPACT

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

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

No call in applicable.