

# AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Cllr Sally Morgan

EXECUTIVE PORTFOLIO HOLDER: Cllr  
Alan Connett

**DATE:** 20 June 2019

**REPORT OF:** Chief Finance Officer

**SUBJECT:** 2018/19 Draft Final Accounts & Treasury  
Management

## PART I

### RECOMMENDATIONS

That the Audit Scrutiny Committee note

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

### 1. PURPOSE

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

### 2. BACKGROUND

2.1 The accounts and audit regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The statement has to be produced and certified by the chief finance officer by 31 May. It has to be brought for full council approval after external audit and by 31 July.

2.2 The statement of accounts and financial records are being audited by our external auditors Grant Thornton during June and July. If any alterations are required the details will be reported to Audit Scrutiny Committee with the external audit accounts report in July. Any revenue or capital resource effects will be brought to Executive in the next budget monitoring report planned for 8 October. Grant Thornton is required to provide the opinion on the statement of accounts by the end of July.

**2.3** The availability of the accounts and records for inspection by interested persons has been advertised on the website [www.teignbridge.gov.uk/statementofaccounts](http://www.teignbridge.gov.uk/statementofaccounts) see Draft Statement of Accounts 2018-2019. This also advises that the external auditor will be accessible to receive in writing any objections to the accounts from 3 June to 12 July 2019.

**2.4** An updated treasury management statement and authorised lending list was approved at the 2019 February budget meeting. This was based on the latest edition of the treasury management code published by the Chartered Institute of Public Finance & Accountancy (CIPFA). The statement has been reviewed and there is no change since the budget update. A copy is shown for information at Appendix 1.

### **3. 2018/19 DRAFT STATEMENT OF ACCOUNTS**

**3.1** The draft statement of accounts has been certified by Martin Flitcroft as the responsible finance officer and is available on the website. [www.teignbridge.gov.uk/statementofaccounts](http://www.teignbridge.gov.uk/statementofaccounts) see public inspection notice Audit of Accounts 31 March 2019 in the download section. The final version will be brought to the next meeting of Audit Scrutiny Members with further explanation for consideration and recommendation to 29 July 2019 Council.

**3.2** A brief explanation and overview of the figures is given in the narrative statement on pages 8 to 20. Capital expenditure and details of property, plant and equipment are given in the balance sheet on page 31 and relevant notes 14 to 16 and 23 from page 63. Reserves are shown on the balance sheet and analysed on page 30. The draft closing general reserves at 31 March 2019 of £1.982 million are improved on the original budget by £0.110 million.

**3.3** An analysis of this variation is contained within the narrative statement. It has arisen mainly because of additional income from fees and charges, leisure memberships, recycling credits, business rate grants and gains from the business rates pilot arrangement. Additional income was also received from non-specific general grants. Savings were made in expenditure including water, printing & stationery, advertising and other miscellaneous costs together with increased savings from Strata. There were additional costs that arose in the year including fuel, legal fees, bed and breakfast accommodation and business rates.

### **4. TREASURY MANAGEMENT AUTHORISED LENDING LIST (Appendix 1)**

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

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

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

**5.1** The council has to report on the financial results of the treasury management function in accordance with the CIPFA 'Treasury Management Code 2017'.

**5.2** Teignbridge's lending has been carried out in accordance with its defined strategy and with adherence to its restricted list of approved investment institutions.

**5.3** The average funds available for investment have increased in 2018/19 by £2.5 million to £14.6 million, from £12.1 million in 2017/18. This is mainly due to grants and contributions which were received in advance of expenditure. Net interest earned has increased from £40,000 in 2017/18 to £103,000 in 2018/19. The average rate achieved has increased from 0.33% in 2017/18 to 0.71% in 2018/19, due to the Bank of England's base rate increasing to 0.75% on 2 August 2018. Call account rates continue to be low because of the current banking regulations requiring banks to keep greater capital buffers.

**5.4** Interest rates earned have been consistently better than the standard benchmark 7 day London Interbank Offer Rate which for the same lending would have averaged 0.63% for the year (0.28% in 2017/18). Base rate increased from 0.5% to 0.75% in August 2018. For future base rates it will be difficult nationally to strike a balance between keeping growth going while not letting inflation get out of hand post Brexit. There continues to be uncertainty about future demand, inflation and the outcome of the European Union negotiations.

**5.5** There was no long-term borrowing in 2018/19. Full details of draft treasury management results and prudential indicators are shown at Appendix 2.

## **6. MAIN IMPLICATIONS**

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

## 7. GROUPS CONSULTED

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

## 8. TIME-SCALE

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

## 9. CONCLUSION

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

**Martin Flitcroft**  
**Chief Finance Officer**

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

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

### **Lending list**

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

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

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

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

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

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

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

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

### Fixed-term lending

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

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

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

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

Temporary Borrowing 1 April 2018 to 31 March 2019:

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

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

	Apr-Mar 2017-18	Apr-Mar 2018-19
(i) <b>Short Term Funds Invested</b>		
Interest received and receivable for the period	£39,844	£102,999
Maximum period of investment on any one loan made in the period	308 days	346 days



# AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Cllr Sally Morgan  
Connett

EXECUTIVE PORTFOLIO HOLDER: Cllr Alan

**DATE:** 17 July 2019

**REPORT OF:** Chief Finance Officer

**SUBJECT:** STATEMENT OF ACCOUNTS 2018/19

## PART I

### RECOMMENDATION

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

#### 1. PURPOSE

To bring an update on the statement of accounts 2018/19 for Members to review and recommend to Council for approval.

#### 2. BACKGROUND

- 2.1** The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. A committee of the authority or the full Council must approve the statement for 2018/19 by the 31 July.
- 2.2** At the Audit Scrutiny meeting on 20 June the committee was introduced to the draft accounts and the results for the year 2018/19 including those for treasury management. The draft accounts were published on the 30 May.
- 2.3** Our external auditors (Grant Thornton) were due to complete their audit and provide their signed opinion by the end of July. This will no longer be completed by the end of July and arrangements are being made for the delayed audit to hopefully take place in August with approval in September. Any final adjustments will be reported to Council following conclusion of the audit. Any likely adjustments will be discussed at today's meeting and the next audit scrutiny meeting when Grant Thornton submit their findings.
- 2.4** The conclusion of the audit will be published by advertisement on the Teignbridge website as required by legislation. After approval the final accounts will be available on the website or a hard copy can be obtained. Members can access the accounts via this link: [Teignbridge website](#) and a hard copy is available in the Democratic Services department.

**2.5** The Chartered Institute of Public Finance and Accountancy (CIPFA) Toolkit for Local Authority Audit Committees published in 2006 recommends the following focus in relation to the committee's review of the financial statements :

- the suitability of accounting policies and treatments
- any changes in, and compliance with, accounting policies and treatments
- major judgemental arrears such as provisions
- significant adjustments and material weaknesses in internal control reported by the external auditor

This report will concentrate on those areas.

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

**3.1** The audit of the statement of accounts is currently being delayed due to resourcing issues identified by Grant Thornton our external auditors. Some minor work has been carried out and there are no known major adjustments to date. Grant Thornton will discuss any findings separately in their report when the audit is completed. There are no adjustments required to the Strata figures consolidated into the accounts of the Council.

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

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

#### **3.4 Accounting Policies and Treatments**

Note 1 of the notes to the financial statements identifies the accounting policies which follow CIPFA recommendations in the latest Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. The most significant policies relate to property, plant and equipment, charges to revenue, accruals, pensions, reserves and provisions as follows:

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

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

### 3.5 Provisions

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

- A provision of £538,000 or 14% has been made against a year-end balance of £3,714,000 for sundry debts. The majority of the debt relates to housing benefit overpayments where arrangement for regular affordable payments has been made. 20% is provided for small older debts still outstanding with specific appropriate provision for individual large debts. Write offs in the year were £111,000 or 0.8% of debt raised in year (2017/18 £157,000 or 1.0% of debt raised in year).
- The council tax gross debt at the year-end was £3,402,000 (2017/18 £3,266,000) and write offs in the year were £165,000 (2017/18 £276,000).

The write offs have remained low for each of the last five years at less than 0.3% of the debit raised. The debit raised in the year was £110 million. The bad debt provision for 2018/19 remains at £640,000 being 19% of the balance.

- For national non domestic rates the gross balance at the year-end was £390,000 (2017/18 £397,000). Write offs were £78,000 (2017/18

£114,000). The value of the bad debt and appeals provision amounts to £2.25 million at 31 March 2019 to cover potential future bad debts and appeal adjustments on rating valuations. Write offs have remained low for each of the last five years at less than 0.5% of the debit raised. The debit raised in the year was £39 million.

### **3.6 External Auditor Reports**

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

### **3.7 Letter of Representation**

Our external auditor requires assurances from us on various financial matters including statutory and contractual requirements, reasonableness of estimates and provisions, responsibility for internal controls, various disclosures and information provided. These will be detailed in a letter which needs recommendation for approval at full Council and will be brought to the next meeting which recommends the audited accounts for approval.

## **4. MAIN IMPLICATIONS**

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

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

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

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

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

## **7. TIME-SCALE**

Members' approval and publication of the accounts for the year ended 31 March 2019 is required by 31 July 2019.

## 8. CONCLUSION

The draft accounts have been prepared in accordance with the relevant legislation and current best professional practice. They await finalisation of the external audit by Grant Thornton and any final adjustments will be reported to Audit Scrutiny and subsequently Full Council for approval after the end of July 2019.

Martin Flitcroft  
**Chief Finance Officer**

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

# AUDIT SCRUTINY COMMITTEE

CHAIRMAN: Cllr Sally Morgan  
Connett

EXECUTIVE PORTFOLIO HOLDER: Cllr Alan

**DATE:** 12 September 2019

**REPORT OF:** Chief Finance Officer

**SUBJECT:** STATEMENT OF ACCOUNTS 2018/19

## PART I

### RECOMMENDATION

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

#### 1. PURPOSE

To bring an update on the statement of accounts 2018/19 for Members to review and recommend to Council for approval.

#### 2. BACKGROUND

**2.1** The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. A committee of the authority or the full Council must approve the statement for 2018/19 by the 31 July.

**2.2** At the Audit Scrutiny meeting on 20 June the committee was introduced to the draft accounts and the results for the year 2018/19 including those for treasury management. The draft accounts were published on the 30 May in line with the draft accounts deadline of 31 May.

**2.3** Our external auditors (Grant Thornton) were due to complete their audit and provide their signed opinion by the end of July. This did not take place as planned and the delayed audit has taken place in August and they will provide their signed audit opinion by the end of September. Their annual governance report on the accounts has been provided separately on this agenda for consideration. Any final adjustments will be reported to Council on 24 September. Any likely adjustments will be discussed at today's meeting when Grant Thornton submit their findings. Final (subject to audit) accounts were brought to Audit Scrutiny on 17 July 2019 for approval and subsequently agreed at Full Council on 29 July 2019.

**2.4** The conclusion of the audit will be published by advertisement on the Teignbridge website as required by legislation. After approval the final accounts will be available on the website or a hard copy can be obtained.

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

**2.5** The Chartered Institute of Public Finance and Accountancy (CIPFA) Toolkit for Local Authority Audit Committees published in 2006 recommends the following focus in relation to the committee's review of the financial statements :

- the suitability of accounting policies and treatments
- any changes in, and compliance with, accounting policies and treatments
- major judgemental arrears such as provisions
- significant adjustments and material weaknesses in internal control reported by the external auditor

This report will concentrate on those areas.

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

**3.1** The audit of the statement of accounts is currently being finalised and there are no known major adjustments to date. Grant Thornton will discuss any findings separately in their report when the audit is completed. There are no adjustments required to the Strata figures consolidated into the accounts of the Council.

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

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

#### **3.4 Accounting Policies and Treatments**

Note 1 of the notes to the financial statements identifies the accounting policies which follow CIPFA recommendations in the latest Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. The most significant policies relate to property, plant and equipment, charges to revenue, accruals, pensions, reserves and provisions as follows:

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

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

### **3.5 Provisions**

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

- A provision of £538,000 or 14% has been made against a year-end balance of £3,714,000 for sundry debts. The majority of the debt relates to housing benefit overpayments where arrangement for regular affordable payments has been made. 20% is provided for small older debts still outstanding with specific appropriate provision for individual large debts. Write offs in the year were £111,000 or 0.8% of debt raised in year (2017/18 £157,000 or 1.0% of debt raised in year).
- The council tax gross debt at the year-end was £3,402,000 (2017/18 £3,266,000) and write offs in the year were £165,000 (2017/18 £276,000). The write offs have remained low for each of the last five years at less than 0.3% of the debit raised. The debit raised in the year was £110 million. The bad debt provision for 2018/19 remains at £640,000 being 19% of the balance.
- For national non domestic rates the gross balance at the year-end was £390,000 (2017/18 £397,000). Write offs were £78,000 (2017/18 £114,000). The value of the bad debt and appeals provision amounts to £2.25 million at 31 March 2019 to cover potential future bad debts and appeal adjustments on rating valuations. Write offs

have remained low for each of the last five years at less than 0.5% of the debit raised. The debit raised in the year was £39 million.

### **3.6 External Auditor Reports**

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

### **3.7 Letter of Representation**

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

## **4. MAIN IMPLICATIONS**

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

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

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

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

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

## **7. TIME-SCALE**

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

## 8. CONCLUSION

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

Martin Flitcroft  
**Chief Finance Officer**

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

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

24 September 2019

Dear Sirs

**Teignbridge District Council**

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

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

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

**Financial Statements**

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

Except as disclosed in the financial statements:

- a) There are no unrecorded liabilities, actual or contingent
- b) None of the assets of the Council has been assigned, pledged or mortgaged
- c) There are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

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

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

Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

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

### **Information Provided**

We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

We have communicated to you all deficiencies in internal control of which management is aware.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- d. management;
- e. employees who have significant roles in internal control; or
- f. others where the fraud could have a material effect on the financial statements

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

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

### **Annual Governance Statement**

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

### **Narrative Report**

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

### **Approval**

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

Yours faithfully

Martin Flitcroft  
Chief Finance Officer

Councillor Richard Keeling  
Chairman of the Council

Appendix