

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

26 June 2006

### Report of the Director of Finance

#### Part 1- Public

#### Delegated

#### **1 STATEMENT OF ACCOUNTS 2005/06**

**This report presents the Statement of Accounts for 2005/06 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom for approval. The Accounts include the proposals recommended to Cabinet on 21 June 2006.**

#### **1.1 Introduction**

1.1.1 The Statement of Accounts for 2005/06 must be approved by the Council or a Committee of the Council by 30 June 2006.

1.1.2 Under the Council's constitutional arrangements responsibility for the approval of the Statement of Accounts is delegated to the General Purposes Committee. The General Purposes Committee has a meeting scheduled for the 28 June in order to address this responsibility.

1.1.3 The role of this Committee is to consider and peruse the Statement of Accounts and to make recommendations as deemed appropriate to the General Purposes Committee. Due to the timing of meetings any recommendations deemed appropriate will be reported verbally to the meeting of the General Purposes Committee.

#### **1.2 Statement of Accounts**

1.2.1 The Statement of Accounts for 2005/06 is enclosed with this agenda. It consists of the following individual statements and associated notes:

- 1) Consolidated Revenue Account - the council's main revenue account for the financial year, covering income and expenditure on all services.
- 2) Collection Fund - shows the total local taxation transactions in relation to business rates and council tax.

- 3) Consolidated Balance Sheet - sets out the financial position of the Council at 31 March 2006, including the balances and reserves at the Council's disposal and the net fixed and current assets employed in the delivery of services.
- 4) Cash Flow Statement - summarises the inflows and outflows of cash for both revenue and capital purposes.
- 5) Statement of Total Movement in Reserves - shows the recognised gains and losses of the Authority during the period.

1.2.2 Members will note that, in accordance with the Accounts and Audit Regulations, and in my role as the Council's responsible financial officer, I have certified that the Statement of Accounts presents fairly the financial position of the Council as at 31 March 2006.

1.2.3 The Statement of Accounts is subject to external audit and the Audit Commission is due to commence the audit of the Accounts on 10 July 2006.

### **1.3 Accounts and Audit Regulations 2003**

1.3.1 The Accounts and Audit Regulations require:

- The Council's responsible financial officer, to certify that the Statement of Accounts presents fairly the financial position of the Council as at 31 March 2006 and its income and expenditure for the year ended 31 March 2006.
- The Accounts to be approved by the 30 June.
- Authorities to have in place a sound system of internal control and that a Statement on Internal Control is included within the Statement of Accounts. The Statement on Internal Control should be signed by the most senior officer and senior member of the Council. The Statement on Internal Control can be found within the Statement of Accounts on pages 5 to 9.
- That following the approval of the Statement of Accounts by the relevant Committee, the Chairman of the receiving Committee signs and dates the Statement of Accounts.

### **1.4 Statement of Auditing Standards**

1.4.1 Auditors are now required to report back to Members before issuing their audit opinion on what are termed as "non material non trifling" matters. The items involved are ones that are deemed sufficiently important to draw to Members' attention, but not material enough to require a change to the Accounts as presented, although I may choose to implement some or all of the changes.

- 1.4.2 It is anticipated that this report will be "for information" and will require this Committee to note the matters raised and will inform Members of what the impact would have been. From our Auditors' perspective the report to Members would include a need for them to obtain assurances that the "non material non trifling" matters would not have any impact on the opinion. However, if there were no "non material non trifling" matters such a report would not be necessary and the Council would receive confirmation of this by way of a letter.
- 1.4.3 The aim of these requirements is that Members should take "ownership" of the financial management of the Council. It is acknowledged that some training may be required in this regard and with this in mind attached at **[Annex 1]** is an explanatory note, an overview, to accompany the Statement of Accounts. Furthermore, at **[Annex 2]** is a checklist certified by the Director of Finance in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.

## **1.5 Revenue and Capital Outturn 2005/06**

- 1.5.1 At the time of writing this report, Cabinet, at its meeting on 21 June, is due to receive a report on the Revenue and Capital Outturn for the year 2005/06. That report and the associated Outturn booklet contain details of variations between the 2005/06 revised estimates and outturn.
- 1.5.2 In the joint report presenting the Outturn for 2005/06, Cabinet is invited to endorse a number of adjustments. These adjustments effectively make contributions to specific earmarked reserves to progress or enhance activities connected with the Council's Key Priorities. Due to the timing of the Cabinet meeting it has been necessary to reflect these adjustments in the Statement of Accounts prior to Cabinet's consideration of them.
- 1.5.3 **[Annexes 3 and 4]** set out the adjustments to be considered by Cabinet and, as reported to Cabinet, result in a contribution from the General Revenue Reserve of £243,814 including capitalised pension contributions.

## **1.6 Legal Implications**

- 1.6.1 There are a number of legislative requirements to consider in the preparation and publication of the Statement of Accounts which will be addressed as we move through the closedown process.

## **1.7 Financial and Value for Money Considerations**

- 1.7.1 As set out above.

## **1.8 Risk Assessment**

- 1.8.1 The Statement of Accounts is a statutory document; therefore failure to prepare and publish the Accounts in accordance with proper accounting practice and within the statutory timescale could adversely affect the Council's CPA rating.

## **1.9 Recommendations**

- 1.9.1 To note and endorse the Statement provided by the Director of Finance **[Annex 2]** in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.
- 1.9.2 To note and endorse the adjustments and contributions in respect of the special projects reserve and other earmarked reserves as set out in **[Annexes 3 and 4]**.
- 1.9.3 To make such recommendations, as the Committee considers appropriate, to the General Purposes Committee for its meeting on 28 June.

Background papers:

Nil

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