

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

25 June 2007

### Report of the Director of Finance

#### Part 1- Public

#### Delegated

#### **1 STATEMENT OF ACCOUNTS 2006/07**

**This report presents the Statement of Accounts for 2006/07 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom for consideration and endorsement. The Accounts include the proposals recommended to Cabinet on 20 June 2007.**

#### **1.1 Introduction**

1.1.1 The Statement of Accounts for 2006/07 must be approved by the Council or a Committee of the Council by 30 June 2007.

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 26 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**

Members will recall a report to the 14 February 2007 meeting of this Committee detailing changes mainly to the presentation of the accounts from 2006/07. For ease of reference the changes are detailed below.

- The removal of the notional capital financing charge.
- Government grant amortised over a period of years to match the depreciation charge for certain assets is now credited to the appropriate service expenditure.

- Gains / Losses on the sale of fixed assets are now reflected within the main revenue account.
- The discontinuation of the Asset Management Revenue Account.
- The replacement of the Consolidated Revenue Account with an Income and Expenditure Account and a Statement of Movement on the General Fund Balance.
- The replacement of the Statement of Total Movement in Reserves with a Statement of Total Recognised Gains and Losses.
- A change to the order in which the financial statements appear in the Accounts, being the core financial statements: the Income and Expenditure Account and the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement followed by the associated notes; and then supplementary financial statements: the Collection Fund and associated notes.
- The movement of the Leisure Services Business Unit from Trading Undertakings to the Cultural, Environmental and Planning Services Head.

1.2.2 The majority of these changes are being introduced in order to conform to UK Generally Accepted Accounting Practices and to make local authorities' Accounts more akin to those found in the private sector.

1.2.3 The Statement of Accounts for 2006/07 is enclosed with this agenda. It consists of the following individual financial statements and associated notes:

- 1) Income and Expenditure Account - the Council's main revenue account for the financial year, covering income and expenditure on all services.
- 2) Statement of Movement on the General Fund Balance - a statement showing the net amount required by statute and non-statutory practices to be debited or credited to the General Fund.
- 3) Statement of Total Recognised Gains and Losses - brings together all the recognised gains and losses of the Authority during the period and identifies those which have not been recognised in the Income and Expenditure Account.
- 4) Balance Sheet - sets out the financial position of the Council at 31 March 2007, including the balances and reserves at the Council's disposal and the net fixed and current assets employed in the delivery of services.
- 5) Cash Flow Statement - summarises the inflows and outflows of cash for both revenue and capital purposes.

- 6) Notes to financial statements numbered 1) to 5) above.
- 7) Collection Fund and associated notes - shows the total local taxation transactions in relation to business rates and council tax.

1.2.4 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.

1.2.5 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 2007.

1.2.6 The Statement of Accounts is subject to external audit and the Audit Commission is due to commence the audit of the Accounts on 16 July 2007.

### **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 2007 and its income and expenditure for the year ended 31 March 2007.
- 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 39 to 44.
- 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 Our External Auditor (the District Auditor) is required by the Audit Commission's statutory Code of Practice for Local Government bodies to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts. Under the Council's constitutional arrangements it is the General Purposes Committee that will receive this report. The report is expected to be presented to the General Purposes Committee meeting in September 2007.

## **1.5 Revenue and Capital Outturn 2006/07**

1.5.1 At the time of writing this report, Cabinet, at its meeting on 20 June, is due to receive a joint report on the Revenue and Capital Outturn for the year 2006/07. That report and the associated Outturn Booklet contain details of variations between the 2006/07 revised estimates and outturn.

1.5.2 In that report, Cabinet is invited to endorse the setting up of the following earmarked reserves:

- £15,000 to meet the cost of short-term external assistance within Housing Benefits;
- £69,400 to meet the cost of employing a Customer Services Support Officer on a 2-year fixed term contract; and
- £15,000 for the Council's "at risk" liability in respect of the prestigious Blue Planet event

from the Local Authority Business Growth Incentive grant received for 2006/07 of £197,517 and to also earmark the balance of £98,117 to be allocated to specific initiatives or projects in due course.

1.5.3 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.

1.5.4 **[Annex 3]** provides details of movements on the special projects reserve, other earmarked reserves and minor revenue adjustments agreed by the Director of Finance during the closedown process.

## **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 impact on our Use of Resources assessment and 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 **[Annex 3]**.
- 1.9.3 To make such recommendations, as the Committee considers appropriate, to the General Purposes Committee for its meeting on 26 June.

Background papers:

Nil

contact: Neil Lawley  
Paul Worden

Sharon Shelton  
Director of Finance