

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

10 February 2009

Report of the Director of Finance

Part 1- Public

Matters for Information

1 ACCOUNTS AND AUDIT REGULATIONS

The Department for Communities and Local Government recently published a consultation paper on changes to the Accounts and Audit Regulations. This report outlines the main change/s proposed in the consultation paper.

1.1 Introduction

1.1.1 The return date for responses to the consultation paper was 23 January 2009. A copy of the consultation paper can be found at **[Annex 1]**.

1.2 Proposals Affecting 2008/09 Accounts and Audits

1.2.1 The key proposal is to require from 2008/09 the statement of accounts to be certified as presenting a "true and fair" view. Currently, local authorities are required to prepare accounts that "present fairly" the financial position of the local authority at the end of the year and its income and expenditure for the year.

1.2.2 There are a further five changes to the regulations. Two of these are not relevant to us specifically and two are consequential to amendments to audit legislation made by the Local Government and Public Involvement in Health Act 2007. The final change corrects an error in the 2006 amending regulations.

1.2.3 We agree in principle with the proposed amendments to the Accounts and Audit Regulations as outlined above and responded accordingly.

1.3 Proposals Affecting 2009/10 Accounts and Audits

1.3.1 The consultation also seeks views on amending the Account and Audit Regulations to improve levels of disclosure of remuneration in local authorities.

1.3.2 Financial statements in the private sector and in central government are required to disclose information about pay, pensions and benefits in kind of senior officers, **by name**. In local government, a council is required to disclose the number (**but no names**) of officers it employs whose remuneration is £50,000 or more in bands

of £10,000. The government is considering making the remuneration disclosure note for local authorities similar to that of the private sector and central government.

- 1.3.3 We disagree in principle with the proposal to bring the remuneration disclosure note for local authorities in line with that of the private sector and central government. Local authority reporting is different in that stakeholders include council tax and national non-domestic rate payers whereas in the private sector the Accounts are primarily for shareholders. Furthermore, although a stakeholder of central government could be said to be tax payers generally, the Accounts of a local authority are more readily available to the local community, who in turn, have relatively easy access to senior officers than is likely to be the case in central government. In addition, we are unsure whether the pension details to be disclosed are readily available or would require us to seek further information from the Pension Fund's actuary at a cost.
- 1.3.4 If the decision is taken to bring the remuneration disclosure note for local authorities in line with that of the private sector and central government we would suggest that the post title be given instead of the officers names. Furthermore, that an appropriate threshold is set in order to avoid too many officers being captured under this requirement or preferably for the number to be restricted to no more than the top 5 or 6 earners within the organisation, but for this not to include information on pension benefits for the reason outlined in paragraph 1.3.3.
- 1.3.5 We responded to the consultation accordingly. Clearly, we would need to see the proposals in any consequent consultation paper to follow before taking a final view.

1.4 Legal Implications

- 1.4.1 Compliance with the Accounts and Audit Regulations is a statutory requirement.

1.5 Financial and Value for Money Considerations

- 1.5.1 None.

1.6 Risk Assessment

- 1.6.1 Compliance with the Accounts and Audit Regulations is a statutory requirement. Therefore, failure to prepare and publish the Accounts in accordance with the Regulations will adversely impact on our Use of Resources assessment.

Background papers:

Nil

contact: Neil Lawley
Paul Worden

Sharon Shelton
Director of Finance