

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

07 September 2015

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 EXTERNAL AUDITORS REPORT ON THE OUTCOME OF THE AUDIT OF THE STATEMENT OF ACCOUNTS 2014/15

Members are invited to endorse and approve the Audit Findings Report on the outcome of the audit of the Statement of Accounts for 2014/15. This report is to be approved prior to the Engagement Lead signing off the Accounts. The Engagement Lead and or his representative will be at the meeting to present the report and to answer questions.

1.1 Introduction

1.1.1 Our external auditor (Grant Thornton UK LLP) is required to issue a report to those charged with governance covering, amongst other things, the outcome of the audit of the Accounts, and for this to be endorsed and approved before the Accounts are signed off. Under the Council's constitutional arrangements it is this Committee that is charged with governance for this purpose.

1.1.2 In accordance with this requirement, the Audit Findings Report on the outcome of the audit of the Statement of Accounts 2014/15 is attached at **[Annex 1]**. The Engagement Lead and or his representative will be at the meeting to present the report and to answer questions.

1.2 Conclusions and Recommendations

1.2.1 Members will note there are no material issues that need to be brought to the attention of the Committee and that the Engagement Lead anticipates being able to issue an unqualified audit opinion on the financial statements and value for money conclusion in the next few weeks.

1.2.2 For completeness and in accordance with best practice it is recommended that the Chairman countersign the Letter of Representation **[Annex 2]** that I have prepared. With that in mind it is requested that delegated authority be granted to the Chairman and I to sign the Letter when Grant Thornton are ready to issue their opinion. Accordingly, there is a statement at the end of the letter which reads:

"The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 7 September 2015, with delegated authority granted

to the Chairman to sign this letter, together with the Director of Finance and Transformation”.

1.3 Statement of Accounts 2014/15

1.3.1 As noted at paragraph 1.2.1, I am pleased to report there are no material issues that need to be brought to the attention of the Committee following the audit. At Appendix A of the Audit Findings Report there is an action plan which for ease of reference is also shown below.

<u>REC NO.</u>	Recommendation	Priority	Management response	Implementation date & responsibility
1	We identified a number of debtors for council tax arrears where no payment had been received for at least three and in one case seven, years. Officers should clarify if these cases are in respect of current or former council tax payers, and what recovery action has been taken to date, and consider the implications for the Council's processes used to identify accounts for write-off. Debtors where no payment has been received for a number of years and where no further recovery action is planned should be written off.	Low	The arrears relate to both current and former taxpayers. Over the forthcoming months cases will be reviewed and appropriate action will be taken where required. Further consideration will be given to the review process.	Implementation Date - 15/16 Financial Year Responsibility - Revenues and Benefits Manager.

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
2	The Council uses an external advisor to assess the provision required for business rate appeals. In future years when assessing the reliance to be placed on the work of the external advisor the Council should consider how the advisor's forecasts compare with the decisions taken by the Valuation Office, and whether further information could be provided by the advisor to support the Council's understanding of the calculations.	Medium	To discuss output received from external advisors to gain further information to justify appeals provision and challenge where necessary.	Implementation Date - 15/16 Financial Year Responsibility - Financial Services Manager.
3	As part of closedown procedures responsible managers should review the Council's asset register prior to completing annual certificates confirming the existence of fixed assets.	Low	We believe current procedure to be adequate and robust but will use action to remind Service Managers of the need to undertake detailed checks on the assets held on the register.	Implementation Date - 15/16 Financial Year Responsibility - Financial Services Manager and Principal Accountant.

1.3.2 Members will note on page ten of the Audit Findings Report reference to a recent ruling on business rates for purpose-built GP surgeries. As a result of this ruling a review of GP surgeries located in the Borough has been undertaken and a judgement made as to those that might be deemed purpose-built under this ruling. This, amongst other things, has led to an increase in the provision for appeals reflected in the Statement of Accounts reported to Members in June from £4,620,000 to £6,070,000.

1.3.3 The revised statement, in addition to the above, includes a small number of minor technical or textual changes. I do not propose circulating copies of the audited Accounts to all Members, but the Chairman will be asked to sign a copy of the

audited Accounts for 2014/15. If Members so wish, updated copies may be obtained by contacting my Chief Financial Services Officer, Neil Lawley or my Financial Services Manager, Paul Worden, who will be pleased to supply copies and answer any questions you may have.

- 1.3.4 With regard to value for money it was found that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. Members will note the overall VFM conclusion within the report states:

“On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.”

1.4 Legal Implications

- 1.4.1 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.

1.5 Financial and Value for Money Considerations

- 1.5.1 The cost of the work carried out is as notified to us in the 2014/15 Audit Plan.

1.6 Risk Assessment

- 1.6.1 The Statement of Accounts is a statutory document and, therefore, failure to prepare and publish the Accounts in accordance with proper accounting practice and within the statutory timescales could adversely affect the Council.

1.7 Equality Impact Assessment

- 1.7.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

1.8 Recommendations

- 1.8.1 Members are **RECOMMENDED** to:

- 1) Approve the Audit Findings Report on the outcome of the audit of the Statement of Accounts for 2014/15 [**Annex 1**] together with the associated action plan set out at paragraph 1.3.1.
- 2) Endorse that the Chairman and I be granted delegated authority to countersign the Letter of Representation [**Annex 2**] when Grant Thornton are ready to issue their opinion.

- 3) Note and endorse the amendment to the Statement of Accounts 2014/15 to that reported to the June Committee following a recent ruling on business rates for purpose-built GP surgeries as set out at paragraph 1.3.2.
- 4) Request that the Chairman sign the Accounts in the appropriate place.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton
Director of Finance and Transformation