

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

20 June 2016

### Report of the Director of Finance and Transformation

#### Part 1- Public

#### Delegated

#### 1 STATEMENT OF ACCOUNTS 2015/16

**This report presents an unaudited set of Accounts for 2015/16 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 for consideration and approval. The Accounts include the proposals recommended to the forthcoming Cabinet meeting.**

#### 1.1 Introduction

1.1.1 An audited set of Accounts for 2015/16 must be approved by the Council or a Committee of the Council by 30 September 2016. Under the Council's constitutional arrangements responsibility for the approval of the Statement of Accounts is delegated to this Committee. The Committee has a meeting scheduled for the 5 September to approve an audited set of Accounts.

1.1.2 This report presents an unaudited set of Accounts for 2015/16 for consideration and approval.

#### 1.2 Statement of Accounts

1.2.1 The Accounts are to be prepared in accordance with International Financial Reporting Standards. The Code of Practice on Local Authority Accounting in the United Kingdom is issued by the Chartered Institute of Public Finance and Accountancy and is reviewed and as appropriate updated at least annually.

1.2.2 An unaudited set of Accounts for 2015/16 is enclosed with this agenda. It consists of the following individual financial statements and associated notes.

- 1) Movement in Reserves Statement – this Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure and or reduce local taxation) and other reserves (those that the Council is not able to use to provide services, for example, the revaluation reserve).
- 2) Comprehensive Income and Expenditure Statement – this Statement shows the accounting cost in the year of providing services in accordance

with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Movement in Reserves Statement.

- 3) Balance Sheet – sets out the financial position of the Council at 31 March 2016. It shows the value of the Council’s assets and liabilities, and its balances and reserves.
- 4) Cash Flow Statement – this summarises the inflows and outflows of cash and cash equivalents for both revenue and capital purposes.
- 5) Notes to the financial statements.
- 6) Collection Fund and Associated Notes – shows the total local taxation transactions in relation to business rates and council tax.

1.2.3 At **[Annex 1]** is a more detailed overview of the Statement of Accounts and at **[Annex 2]** a checklist certified by the Director of Finance and Transformation in support of the assertions made in the Statement of Responsibilities for the Statement of Accounts.

1.2.4 Members will note 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 present a “true and fair view” of the financial position of the local authority at the end of the year and its income and expenditure for the year.

1.2.5 The Statement of Accounts is subject to external audit and our external auditors are due to commence the audit of the Accounts in early July.

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

1.3.1 The Accounts and Audit Regulations require:

- The Council’s responsible financial officer to certify an unaudited set of accounts for issue that present a “true and fair view” of the financial position of the Council as at 31 March 2016 and its income and expenditure for the year ended 31 March 2016 by no later than 30 June.
- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 30 September, and that following approval both the responsible financial officer and Chairman of the receiving Committee sign and date the Statement of Accounts.
- Authorities to have in place a sound system of corporate governance and that an Annual Governance Statement is to accompany, but is not part of the Accounts.

## **1.4 Statement of Auditing Standards**

- 1.4.1 Our External Auditor (Grant Thornton) is required 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 Audit Committee that will receive this report. The report is expected to be presented to the Audit Committee meeting on 5 September 2016.

## **1.5 Revenue and Capital Outturn 2015/16**

- 1.5.1 At the time of writing this report, Cabinet, at its meeting on 29 June, is due to receive a report on the Revenue and Capital Outturn for the year 2015/16. That report and the associated Outturn Booklet contain details of variations between the 2015/16 revised estimates and outturn.
- 1.5.2 Members are to be advised at this meeting that overall, the revenue outturn is within budget to the sum of £294,629 with a contribution to the General Revenue Reserve of £369,029 compared with the Revised Estimate figure of £74,400.
- 1.5.3 The favourable variance can in large part be attributed to a wide range of individual service budgets, together with management savings on the salary bill offset by the shortfall to be met by the Council under the Business Rates Retention scheme.
- 1.5.4 Members are to also be advised that we had as part of the closedown process undertaken a review of the specific earmarked reserves held by the Council. As a result of this review and in liaison with Management Team Cabinet is asked to endorse that no adjustments be made to specific earmarked reserves at this time.
- 1.5.5 The above proposals have been reflected within the outturn position shown.
- 1.5.6 **[Annex 3]** provides details of movements on the special projects reserve, other earmarked reserves and minor revenue adjustments agreed by the Director of Finance and Transformation during the closedown process or to be agreed by Members.

## **1.6 Annual Governance Statement**

- 1.6.1 The Annual Governance Statement can be found elsewhere on this agenda. The Statement accompanies the Statement of Accounts, but is not part of the Accounts. The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

1.6.2 The Statement is prepared by way of a self-assessment questionnaire and supporting evidence. The Statement is to be signed by both the most senior member and officer of the Council following its consideration and endorsement.

## **1.7 Legal Implications**

1.7.1 Compliance with the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting in the United Kingdom is a statutory requirement. 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.

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

1.8.1 As set out above.

## **1.9 Risk Assessment**

1.9.1 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.

## **1.10 Equality Impact Assessment**

1.10.1 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.

## **1.11 Recommendations**

1.11.1 To note and endorse the Statement provided by the Director of Finance and Transformation [**Annex 2**] in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.

1.11.2 To note and endorse the recommendations detailed at paragraph 1.5.4 following a review of the specific earmarked reserves held by the Council.

1.11.3 To receive and approve the enclosed unaudited set of Accounts for 2015/16 and request that the Chairman sign the Accounts in the appropriate place.

Background papers:

Nil

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