

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

23 January 2017

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 GRANT THORNTON PAPER – ADVANCING CLOSURE

The following report gives details of a paper by Grant Thornton on **Advancing Closure, Transforming the financial reporting of local authority accounts.**

1.1 Background

- 1.1.1 On 17 February 2015, Regulations were laid before Parliament confirming proposals to bring forward the date the Accounts are to be ready for audit and publication of the audited accounts to 31 May and 31 July respectively with effect from the 2017/18 financial year.
- 1.1.2 In the interim Grant Thornton have published a paper to assist local authorities on how to improve their own accounts closure procedures to comply with the new deadlines, together with a Good practice checklist attached at **[Annex 1]**. The paper can be found at:

http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2016/grt103821_faster-close-report-v07-web-version.pdf

1.2 Implications of Earlier Closure and Publication

- 1.2.1 The earlier publication of the audited accounts is part of the Government's strategy to improve transparency and accountability. The Government believes that a quicker closedown process will heighten the public interest in the accounts of local authorities; and the extended narrative report and changes to the accounts aim to make the financial position of the authority easier to understand.
- 1.2.2 Information required from third parties is an important factor in the timely closure of the Accounts if deadlines are to be met. Areas detailed in the report that could require review include:
- Pensions – currently pension information is received from KCC Pensions the first week in May. Earlier receipt of this information will assist the closedown process.

- Asset Values – the current arrangement is for asset values to be reviewed as at 1 January each year and subsequent confirmation at the end of the year that there has been no material change in that time.

1.3 Implications for Officers

- 1.3.1 The current deadline for publication of the accounts ready for audit and audited accounts are 30 June and 30 September respectively. The authority has met these deadlines for a number of years.
- 1.3.2 Officers currently have a robust and tested closedown procedures and timetable for the preparation of the Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.
- 1.3.3 The timetable currently schedules the Accounts to be reviewed by senior staff within Financial Services and the Corporate Management Team by mid to late May. This suggests the new deadline for the Accounts to be ready for audit can be achieved within the current timetable.
- 1.3.4 Officers plan to meet with Grant Thornton early in 2017 to review the working papers used to prepare the Accounts to see if there are changes that could be made to assist with the completion of the audit.

1.4 Implications for Auditors

- 1.4.1 The current duration of the audit of the accounts is currently 3-4 weeks site work plus up to a further 3 weeks of review and potential follow-up questions from senior members of the Audit Team and subsequent production of the final audit report for Committee approval. Our external auditors are in the process of reviewing working practices in light of the revised deadline. Early indications are that there will be more pre-audit or interim audit inspection taking place prior to year-end. This will need to take into account other work pressures at that time, e.g. budget preparation and or annual billing.

1.5 Implications for Members

- 1.5.1 Currently the Audit Committee meet in June to approve the unaudited accounts and again in September to approve the audited accounts.
- 1.5.2 Regulations require the unaudited accounts to be approved by the authority's Section 151 Officer, the Director of Finance and Transformation and the audited accounts to be approved by Members at the conclusion of the audit. To meet the revised deadline for approval of the audited accounts a meeting of the Audit Committee is to be scheduled for late July. In turn, the meeting scheduled for September could move to October. Whether the current meeting in June will be required is the subject of consideration.

1.6 Legal Implications

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

1.7 Financial and Value for Money Considerations

1.7.1 None.

1.8 Risk Assessment

1.8.1 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.

Background papers:

contact: Paul Worden

Nil

Sharon Shelton

Director of Finance and Transformation