

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

23 July 2018

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 STATEMENT OF ACCOUNTS AND EXTERNAL AUDITORS REPORT ON THE OUTCOME OF THE AUDIT OF THE STATEMENT OF ACCOUNTS 2017/18

This report presents an audited set of Accounts for 2017/18 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom, together with the external auditors Audit Findings Report on the outcome of the audit of the Accounts. Members are invited to endorse and approve both the Statement of Accounts and Audit Findings Report. The external auditors report is to be approved prior to the Engagement Lead signing off the Accounts. The Engagement Lead and or their representative will be at the meeting to present the report and to answer questions.

1.1 Introduction

1.1.1 An audited set of Accounts for 2017/18 must be approved by the Council or a Committee of the Council by 31 July 2017. Approval of the Statement of Accounts is delegated to this Committee. The Accounts include the adjustments in light of the outturn position set out in the Revenue and Capital Outturn 2017/18 report to Cabinet on 6 June 2018.

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. There have been no changes to the presentation of the Accounts for 2017/18.

1.2.2 An audited set of Accounts for 2017/18 is enclosed with this agenda. It consists of the following individual financial statements and associated notes.

- 1) 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.

- 2) 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).
- 3) Balance Sheet – sets out the financial position of the Council at 31 March 2018. 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.

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 2018 and its income and expenditure for the year ended 31 March 2018 by no later than 31 May.
- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 31 July 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 Annual Governance Statement

- 1.4.1 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.
- 1.4.2 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.

1.5 Audit Findings Report

- 1.5.1 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. It is this Committee that is charged with governance for this purpose.
- 1.5.2 In accordance with this requirement, the Audit Findings Report on the outcome of the audit of the Statement of Accounts 2017/18, up to the date of the print deadline, is attached at **[Annex 3]**. Some procedural matters are in the process of being finalised prior to the meeting of the Committee and officers will provide a verbal update at the meeting. The Engagement Lead and or their representative will be at the meeting to present the report and to answer questions.
- 1.5.3 Members will note there are no material issues, at this stage, 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 following this meeting. Members should however note that due to a technical oversight, the inspection notice was not made 'live' on the Council's website until after 1 June 2018.
- 1.5.4 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 2018. Members will note the overall VFM conclusion within the report states:

- 1.5.5 “On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.”

1.6 Letter of Representation

- 1.6.1 For completeness and in accordance with best practice it is recommended that the Chairman countersign the Letter of Representation [**Annex 4**] 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:
- 1.6.2 “The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 23 July 2018, with delegated authority granted to the Chairman to sign this letter, together with the Director of Finance and Transformation”.

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 in the report and accompanying documents.
- 1.8.2 The audit fee is as notified to us in the 2017/18 Audit Plan.

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 Members are **RECOMMENDED** to:

- 1) Note 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.
- 2) Receive and approve the enclosed audited set of Accounts for 2017/18 and request that the Chairman sign the Accounts in the appropriate place.
- 3) Approve the Audit Findings Report, subject to the verbal update, on the outcome of the audit of the Statement of Accounts for 2017/18 **[Annex 3]**.
- 4) Endorse that the Chairman and I be granted delegated authority to countersign the Letter of Representation **[Annex 4]** when Grant Thornton are ready to issue their opinion.

Background papers:

contact: Neil Lawley
Paul Worden

Investment information provided by King & Shaxson
Pension information provided by Barnett Waddingham
Valuation/Impairment information provided by BPS
Chartered Surveyors

Sharon Shelton
Director of Finance and Transformation