

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

28 September 2020

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 STATEMENT OF ACCOUNTS 2019/20 AND EXTERNAL AUDITORS REPORT ON THE OUTCOME OF THE AUDIT OF THE ACCOUNTS

This report presents the current set of Accounts for 2019/20 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom. Members are invited to endorse and approve both the Statement of Accounts and supplemental 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 must be approved by the Council or a Committee of the Council by 31 July (for the 2019/20 Accounts the date has been moved to the 30 November in response to the Covid-19 pandemic). Approval of the Statement of Accounts is delegated to this Committee.

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 material changes to the presentation of the Accounts for 2019/20.

Covid-19 Pandemic

1.2.2 There will be numerous issues that will impact on local authorities as a result of the Covid-19 pandemic. Specific areas within the financial statements include:

- Valuation uncertainty in respect of property, plant and equipment, investment property and heritage assets. The impact that the Covid-19 pandemic has had on valuations has been discussed with our external valuers and their response is set out at Note 7.

- Property investment funds where valuers include a statement of ‘material valuation uncertainty’ declaration in their reporting and advice. The impact that the Covid-19 pandemic has had on valuations is set out at Note 10.
- Pension Fund Assets and Liabilities – The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Further information relating to the pension scheme can be found in Note 11.
- Collectability of debt – It is prudent to establish a provision (impairment allowance) for non-payment of debt. Further details relating to the impairment allowance and the potential adverse impact of the Covid-19 pandemic on collectability of debt can be found in Note 17.

1.2.3 An audited set of Accounts for 2019/20 **[Annex 1]** 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 2020. 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 council tax and business rates.

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 2020 and its income and expenditure for the year ended 31 March 2020 by no later than 31 May (for the 2019/20 Accounts the date was moved to the 31 August in response to the Covid-19 pandemic).
- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 31 July (for the 2019/20 Accounts the date has been moved to the 30 November in response to the Covid-19 pandemic) 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 Audit Findings Report

- 1.4.1 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.
- 1.4.2 In accordance with this requirement, the Audit Findings Report on the outcome of the audit of the Statement of Accounts 2019/20 is to be published as a supplementary paper to the agenda in due course. Members will note 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.
- 1.4.3 The Engagement Lead and or their representative will be at the meeting to present the report and to answer questions.
- 1.4.4 At the time of writing there has been one financial change made to the unaudited set of Accounts presented to the Committee in July in respect of an increase in the value attributed to Larkfield Leisure Centre in the sum of £700,000. A number of textual changes have also been made at the request of the Auditors to strengthen the commentary on the potential impact of Covid-19 on asset and other valuations. Any further material changes required to be brought to the attention of Members at the meeting.

1.5 Letter of Representation

- 1.5.1 For completeness and in accordance with best practice it is recommended that the Chairman countersign the Letter of Representation. The Letter of Representation is to be published as a supplementary paper to the agenda in due course and ask that delegated authority be granted to the Chairman and Director of Finance and Transformation to sign the Letter of Representation when Grant Thornton issue their opinion.

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. 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.

1.7 Financial and Value for Money Considerations

- 1.7.1 As set out in the report and accompanying documents.
- 1.7.2 The fee has increased from that originally set by Public Sector Audit Appointments Limited (PSAA) from £35,248 to £42,748 following changes to the scope and depth of audit work required.

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.

1.9 Equality Impact Assessment

- 1.9.1 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.

1.10 Recommendations

- 1.10.1 Members are **RECOMMENDED** to:

- 1) Receive and approve the enclosed audited set of Accounts for 2019/20 **[Annex 1]** and request that the Chairman sign the Accounts in the appropriate place.
- 2) Approve the Audit Findings Report on the outcome of the audit of the Statement of Accounts for 2019/20.

- 3) Agree that delegated authority be granted to the Chairman and Director of Finance and Transformation to sign the Letter of Representation when Grant Thornton issue their opinion.

Background papers:

contact: Paul Worden

Investment information provided by King & Shaxson
Pension information provided by Barnett Waddingham
Valuation/Impairment information provided by BPS
Chartered Surveyors and J A Warner Ltd.

Sharon Shelton
Director of Finance and Transformation