

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

26 July 2021

Report of the Director of Finance and Transformation

Part 1- Public

Delegated

1 STATEMENT OF ACCOUNTS 2020/21 AND PROGRESS UPDATE ON THE AUDIT OF THE ACCOUNTS

This report presents an unaudited set of Accounts for 2020/21 in the format specified by the Code of Practice on Local Authority Accounting in the United Kingdom.

1.1 Introduction

1.1.1 An audited set of Accounts for 2020/21 must be approved by the Council or a Committee of the Council by no later than 30 September 2021. Under the Council's Constitution responsibility for the 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 2020/21 report to Cabinet on 2 June 2021.

1.1.2 This report presents an unaudited set of Accounts for 2020/21 **[Annex 1]** for information. The Engagement Lead and or their representative will be at the meeting to give a verbal progress update on the audit of the Accounts.

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 2020/21.

Covid-19 Pandemic

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

- Property Plant and Equipment and Investment Property – Property values are based upon market values and are periodically reviewed to ensure that

the Council does not materially misstate the value of its property, plant and equipment and investment property. After discussing the issue with the Council's External Valuers their response is as follows: "This valuation has been undertaken during the Covid-19 pandemic which has impacted commercial and leisure uses and resultingly investment markets. It is likely that this will be a year of exceptional circumstances in which values may not be representative of longer term market value."

- Property investment funds – the Fund managers are no longer expressing material uncertainty in valuations.
- Pension Fund Assets and Liabilities – The Pension Fund Administrators, Kent County Council, has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied. The report and assumptions received from the actuary have adjusted for the increased rate of deaths surrounding Covid-19 and its impact on overall mortality rates.
- Collectability of debt – It is prudent to establish a provision (impairment allowance) for non-payment of debt. The impact of the Covid-19 pandemic could potentially have an adverse impact on collectability of debt and will be the subject of ongoing review.

1.2.3 An unaudited set of Accounts for 2020/21 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 2021. 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 At **[Annex 2]** is a more detailed overview of the Statement of Accounts and at **[Annex 3]** 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.
- 1.2.5 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.
- 1.2.6 The Statement of Accounts is subject to external audit and our external auditors commenced the audit of the Accounts at the beginning of July and a verbal progress update is to be given at the meeting.

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 2021 and its income and expenditure for the year ended 31 March 2021, on or before the first working day of August 2021.
- The responsible financial officer and Members to certify / approve an audited set of accounts for publication by no later than 30 September 2021 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 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 Constitution it is the Audit Committee that will receive this report. The report is expected to be presented to the Audit Committee meeting on 27 September 2021.

1.5 Annual Governance Statement

- 1.5.1 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.

- 1.5.2 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.

1.6 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 The proposed fee for the audit of the 2020/21 Accounts is £58,248. This compares to a current budget provision of £42,750. Albeit councils are to receive additional government grant funding in recognition of changes to the scope and depth of audit work required, and await notification of our grant allocation as a result.

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) Note and endorse the enclosed unaudited set of Accounts for 2020/21.
- 2) Note the Statement provided by the Director of Finance and Transformation **[Annex 3]** in support of assertions made in the Statement of Responsibilities for the Statement of Accounts.
- 3) Note the progress update on the audit of the Accounts for 2020/21.

Background papers:

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

contact: Paul Worden
Neil Lawley

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Director of Finance and Transformation