

Audit, Governance and Standards Committee

11 July 2016

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Statement of Accounts 2015-16

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Director or Head of Service	Mark Green, Director of Finance & Business Improvement
Lead Officer and Report Author	Ellie Dunnet, Chief Accountant
Classification	Non-exempt
Wards affected	N/A

This report makes the following recommendations to the final decision-maker:

1. To note the draft 2015-16 Statement of Accounts attached at **Appendix I**.
2. To note and comment on the Chairman's response to enquiries made by the external auditor, attached at **Appendix II**.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

The Statement of Accounts shows how the council has managed its resources over the previous financial year. Effective financial management is integral to ensuring that value for money is achieved in the delivery of the council's priorities.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	11 July 2016 (draft)
Audit, Governance and Standards Committee	19 September 2016 (final – audited)

Statement of Accounts 2015-16

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The draft statement of accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015-16. The purpose of this report is to provide the committee with an early opportunity to review the draft accounts submitted for audit prior to formally approving them in September.
 - 1.2 The audit has now commenced and representatives from Grant Thornton will be in attendance at the meeting to answer any questions relating to the audit and provide a verbal update on progress.
 - 1.3 As part of the external audit process, the external auditor is required to make certain enquiries of the Chairman of this committee, the responses to which are documented within **Appendix II**. The Chairman has requested that his responses are ratified by the committee prior to being formally submitted to the external auditor.
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2. INTRODUCTION AND BACKGROUND

- 2.1 The draft Statement of Accounts attached at **Appendix I** was submitted to the council's external auditors on 30 June in line with the amended Accounts & Audit Regulations 2011.
 - 2.2 Under these regulations the Audit, Governance and Standards Committee are required to formally approve the final audited Statement of Accounts by 30 September for the previous accounting period in their capacity as the committee charged with governance.
 - 2.3 It is considered appropriate to bring the draft Statement of Accounts to the committee at this stage to provide an early opportunity for committee members to review the Statement and to ask any relevant questions of officers in advance of the statutory deadline in September.
 - 2.4 The draft Statement of Accounts is currently subject to external audit. In conducting their work, the external auditors need to establish an understanding of the management processes in place to detect fraud and to ensure compliance with laws and regulations. In this regard, the external auditor is required to make enquiries of the Chair of this committee as to their knowledge of such processes, and awareness of any actual, suspected or alleged fraud.
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3. AVAILABLE OPTIONS

- 3.1 The annual production and external audit of the Statement of Accounts is a statutory requirement and there are therefore no alternative options.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 It is recommended that the committee:
- 4.1.1 notes the draft unaudited Statement of Accounts attached at **Appendix I** to this report; and
 - 4.1.2 notes and comments on the Chairman's response to enquiries made by the external auditor, attached at **Appendix II**.

Further information regarding these documents is set out below:

Statement of Accounts 2015-16

- 4.2 As noted above, the council's financial statements must comply with CIPFA's Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards (IFRS). Both frameworks require a number of complex and detailed disclosures which accompany the main financial statements. There have not been any significant changes to these accounting requirements for 2015-16.
- 4.3 Officers have made efforts to 'de-clutter' the Statement of Accounts in recent years by removing unnecessary and immaterial disclosures. The remaining disclosures may appear extensive, but are considered necessary in order to comply with accounting standards.
- 4.4 In order to ensure that the key messages are delivered, the statements are preceded by a Narrative Report, which summarises the council's performance over the financial year 2015-16 and highlights the most significant elements of the financial statements.

The 2015-16 Statement of Accounts demonstrates that the council has continued to manage its resources effectively despite significant financial pressures brought about by sustained reductions in central government funding, and that it is preparing to deal with the continuing economic uncertainty and associated challenges that lie ahead. This is evidenced by the fact that the balance on the general fund and usable reserves has increased by £3.6m to £18.85m at the end of 2015-16. It should be noted that within this increase, £3.2m needs be set aside to fund the deficit on the collection fund.

- 4.5 Headline messages from the Statement of Accounts can be summarised as follows:

- Long term investments have decreased by £5m. All of the council's investments are now short term (less than one year) which is reflected in the increase in short term investments.
- Movements in the short term debtor and creditor balances relate to amounts due to and from precepting authorities in relation to Council Tax and NNDR including the Kent Business Rates Pool.
- Long term liabilities have decreased by £6.3m, which is largely a consequence of the decrease in pensions liability arising from changes in actuarial assumptions following the annual assessment of the fund by actuaries acting on behalf of Kent County Council. There is a corresponding increase in the value of unusable reserves. The next full actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set the employer contributions for the period from 1 April 2017 to 31 March 2020.

Understanding how the Audit, Governance and Standards Committee gains assurance from management

- 4.6 The letter attached at **Appendix II** details a series of questions which the external auditor must ask of the committee in order to comply with International Auditing Standards. The questions pertain to the management processes in place to ensure compliance with applicable law and regulation, and to prevent and detect fraud which may impact on the financial statements. Similar questions have been asked of management and a response has been provided.
- 4.7 The Chair's proposed responses to the questions are included as an appendix to the letter and the committee are asked to confirm that they are satisfied with the details provided, prior to a formal response being issued to the external auditor.

5. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Production of the annual Statement of Accounts which is free from material or significant error is a key element of the annual external assessment process. It is therefore important that the statement of accounts meets this requirement.	Director of Finance & Business Improvement
Risk Management	The primary risks are that the Council fails to produce its accounts in accordance with the requirements of the Code of Practice or statutory timetable. A risk	Director of Regeneration & Communities

	assessment has been undertaken in order to mitigate this risk.	
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2016, and details the council's assets, liabilities and reserves at this date.	Section 151 Officer & Finance Team
Staffing	Not applicable.	
Legal	Not applicable.	
Equality Impact Needs Assessment	Not applicable.	
Environmental/Sustainable Development	Not applicable.	
Community Safety	Not applicable.	
Human Rights Act	Not applicable.	
Procurement	Not applicable.	
Asset Management	Not applicable.	

6. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- **Appendix I:** Draft un-audited Statement of Accounts 2015-16
- **Appendix II:** Understanding how the Audit, Governance and Standards Committee gains assurance from management (letter and Chair's response)

7. BACKGROUND PAPERS

None