

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

14TH JULY 2014

REPORT OF HEAD OF FINANCE & RESOURCES

Report prepared by Paul Holland (Senior Accountant)

1. STATEMENT OF ACCOUNTS 2013/14

1.1 Issue for Decision

1.1.1 To note the Statement of Accounts 2013/14 prior to the completion of the external audit process.

1.2 Recommendation of Head of Finance & Resources

1.2.1 That the Committee notes the un-audited completed Statement that has been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

1.3 Reasons for Recommendation

1.3.1 Under the amended Accounts & Audit Regulations 2011 there is no longer a requirement for the Statement of Accounts to be formally approved by Audit Committee prior to their submission for external audit. Instead the Statement has to be signed by the Director of Regeneration & Communities by 30th June, and is then subject to external audit. The audited accounts are then required to be approved by Audit Committee by 30th September.

1.3.2 However, it is considered appropriate to bring the Statement to Audit Committee at this stage as it gives Members an early opportunity to see the Statement and to ask any relevant questions of Officers.

1.4 Statement of Accounts 2013/14

1.4.1 The un-audited Statement is attached at **Appendix A**.

1.4.2 There were two changes of note to the accounting requirements for 2013/14; these were in relation to pension schemes and business rates.

1.4.3 The Statement is evidence that the Council has been able to continue to effectively manage its resources through the difficult economic conditions of the last few years, and that it is in a good position to deal with the continuing economic uncertainty and associated challenges that lie ahead. The particular points that highlight this are as follows:

- The General Fund balance has increased from £12.6m to £15.4m, in line with previous decisions made by Cabinet and Council, and is a consequence of slippage in both revenue and capital spend against the budget for 2013/14.
- The potential for slippage was identified at an early stage through regular monitoring reports, which enabled Cabinet to make informed and early decisions about future resource allocation.
- There was no need to borrow during the year, either for short-term cash flow purposes, or to fund the capital programme.
- The good financial position of the Council is a reflection of the robustness and effectiveness of the budget strategy process.

1.4.4 The key messages from the Statement are as follows:

- a) There has been an increase in Long Term Liabilities of £7.1m, which is primarily due to a change in the deficit on the Pension Fund, which has increased from £49.0m to £56.5m. This is a more significant increase than was the case on the 2012/13 Balance Sheet and reflects the actuary's short term view on the value of the Pension Funds' assets and differs from the three yearly, long term actuarial review.
- b) Assets Held for Sale have reduced to zero following the disposal of 26 Tonbridge Road.
- c) There has been an increase in Current Assets of £5.9m, which is a reflection an increased level of investments held at the year end.
- d) There has also been an increase in Current Liabilities of £4.6m, which is due to increased provisions for bad debts and Business Rate appeals, and an increase in the level of Short Term Creditors.

1.4.5. The Committee will note that the Statement of Accounts includes details of Related Party Transactions which, in part, are based upon returns from Members and Senior Officers. The details included are based upon returns received to date and there are no follow up actions required.

- 1.4.6. There is an outstanding issue regarding the valuation of land and buildings assets within the Property, Plant & Equipment heading on the Balance Sheet. A review of these assets identified a number of low value assets that had been incorrectly classified, and that the overall valuation of the Museum should be reviewed to identify the component elements for depreciation purposes. The Council's external valuers have been asked to review the values to ensure they are appropriate; however it was not possible to complete this exercise by 30th June. It may be necessary to make some adjustments to the Property, Plant & Equipment value, although it is unlikely that the changes will be material.
- 1.4.7. Members will recall that the external auditors identified a number of key areas for Council action regarding the Statement of Accounts following their audit of the 2012/13 accounts:
- There were discrepancies between the Council's financial ledger and the revenues system. These have been investigated and corrected within the 2013/14 accounts.
 - There were a high number of disclosure amendments in the 2012/13 accounts. The accounts have been reviewed to try and ensure this is not an issue for 2013/14.
 - The external auditor was not asked to provide a global impairment review of the Council's asset portfolio in 2012/13. This was requested as part of the 2013/14 valuation instructions.
- 1.4.8. The audit of the accounts commenced on 8th July 2014 and the External Auditor expects to formally issue his report to Members in good time to meet the Council's statutory timetable.

1.5 Alternative Action and why not Recommended

- 1.5.1 There are no alternatives as the production of the Statement of Accounts is a statutory requirement.

1.6 Impact on Corporate Objectives

- 1.6.1 Production of a Statement of Accounts that do not contain any material or significant errors is a key element of the annual external assessment process. It is therefore important that the Statement meets this requirement.

1.7 Risk Management

1.7.1 The primary risk is that the Council fails to produce its accounts in accordance with the requirements of the Code of Practice. A risk assessment has been undertaken to mitigate this risk.

1.8 Other Implications

1.8.1

1. Financial	X
2. Staffing	
3. Legal	X
4. Equality Impact Needs Assessment	
5. Environmental/Sustainable Development	
6. Community Safety	
7. Human Rights Act	
8. Procurement	
9. Asset Management	

1.8.2 Appendices

Appendix A – Draft un-audited Statement of Accounts 2013/14

Background Documents

None

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because:

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Wards/Parishes affected:

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