



Haringey Council

Report for:	Corporate Committee 27 th September 2011	Item number	
Title:	Statement of Accounts 2010/11 and Annual Governance Report.		
Report authorised by :	for the Director of Corporate Resources		
Lead Officer:	Graham Oliver Tel: 020 8489 3725; Email: Graham.Oliver@haringey.gov.uk		
Ward(s) affected: All	Report for Key/Non Key Decision: Non Key		

1 Describe the issue under consideration

- 1.1 To present the Statement of Accounts for 2010/11 following the completion of the external audit.
- 1.2 To consider the statutory Annual Governance Report of Grant Thornton which reports on their annual audit of the Council's statutory accounts, value for money and other relevant information.

2 Cabinet Member Introduction

- 2.1 N/A

3 Recommendations

- 3.1 That the Committee consider the contents of this report and any further oral updates given at the meeting by Grant Thornton.
- 3.2 That the Committee approves the Statement of Accounts 2010/11, subject to any final changes required by the conclusion of the audit, delegated to the Director of Corporate Resources in consultation with the Chair.
- 3.3 That the committee notes the ISA 260 report of the auditors, Grant Thornton, and approves the management responses in the Grant Thornton action plan contained within the ISA 260 report.



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4 Executive Summary

- 4.1 The approval of the Council's accounts is a non-executive function fulfilled by the Corporate Committee. The Statement of Accounts 2010/11 is appended to this report for approval.
- 4.2 The final outturn in the audited statement confirms that reported to Cabinet in June 2011.
- 4.3 The statutory report of Grant Thornton on certain matters relating to the Council's governance responsibilities needs to be considered before a final opinion of the council's financial statement for 2010/11 is given.
- 4.4 It is expected that an unqualified opinion on the accounts will be given by the deadline of 30 September 2011.

5 Background information

- 5.1 Approval of the Council's accounts is a non-executive function, fulfilled by the Corporate Committee. In previous years members would have been presented with a draft set of accounts in June for approval prior to the commencement of the annual audit. Following the issue of a new statutory instrument, members are now required to formally approve the statutory accounts after the conclusion of the annual audit.
- 5.2 This report sets out:
 - The Statement of Accounts for the financial year ended 31 March 2011.
 - The External Auditors "Annual Report " (ISA 260) containing:
 - Executive Summary
 - Key Audit Issues
 - Value for Money conclusions
 - Various appendices, including an agreed action plan.

6 Statement of Accounts

- 6.1 The appended financial statements are recommended for approval and have been produced in line with all the relevant accounting codes and statutory regulations.
- 6.2 The accounts have been audited by Grant Thornton, the Council's external auditors, and their Annual Report to those charged with Governance (ISO 260) is attached.
- 6.3 The Council's Draft Outturn 2010/11 was reported to Cabinet on 7 June 2011 and detailed an overall underspend on the General Fund revenue budget of £51k, which has been confirmed following the production of the annual accounts.

7 Explanation of the Accounts



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7.1 The following paragraphs give a brief overview of the statements by way of explanation and to facilitate navigation of the document;

7.2 The Impact of IFRS

- The accounts reflect the move from Generally Accepted Accounting Practice for the UK (UK-GAAP) to full International Financial Reporting Standards (IFRS). The changes can be summarised in three areas, Format, Disclosures and Technical adjustments.
- As a result of the move to IFRS the **Format** of some of the statements will look different from previous years, although the substance of the accounts remains the same.
- In respect of **Disclosures** there are a number which have been added, some examples include;
- Component Accounting where there is a requirement to identify, value and depreciate individual components of an asset e.g. splitting the value of a building from the land it sits upon.
- Similarly the Council's Leases (both as lessor and lessee) have been reanalysed.
- Employee Benefits, such as leave entitlement outstanding at 31 March has to be calculated, valued and accrued for if material to the accounts.
- The definition of associate organisations has changed to include "ability to influence" which, if substantial, means the accounts of that organisation have to be included in the Group Accounts.
- All the above additional disclosures have strict methodologies by which the financial effect must be calculated which can then, if material, give rise to **technical accounting adjustments**.
- The biggest change that can be seen to the accounts, except for the presentational changes, is to the Group Accounts. The IFRS requirement for the determination of whether a group relationship exists is a change from that under UK GAAP which has resulted in the grouping with the Council of the Alexandra Palace Park and Palace accounts. The most significant impact of this change is the need to re-instate in the Council's account the long-term debt that is due to the Council from AP&P (£42.6 million in 2010/11 which has a contra entry in the same amount against the bad debts provision). Once the two entities are grouped these transactions are eliminated as any intra-group transactions are eliminated.

7.3 Sections of the Statements



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- The Explanatory Forward takes the reader through the various sections of the statements and what they contain. The following is a short version of its main headings.
 - The Movement in Reserves Statement shows the money that the Council had in reserve at the beginning of the financial year, and details the money coming in and out of those reserves resulting in the closing balance on 31 March 2011. This statement reflects the final outturn of the Council, as reported to Cabinet in June 2011.
 - The Comprehensive Income and Expenditure Statement shows the costs incurred and income received in respect of the services provided by the Council within the financial year and contains a number of 'accounting' entries that are required to be made by the code of practice governing the presentation of the accounts.
 - The Balance Sheet lists the financial value of the assets and liabilities of the Council as at the end of March 2011. For comparative purposes the previous year's figures are shown at the end and the beginning of the financial year when IFRS came into effect.
 - Unlike the Income and Expenditure Statement the Cashflow Statement shows movement during the year based on cash transactions which may also relate to previous or future years.
 - The Notes page provides the detail of the figures on the main statements which are described above. The reference on the statements directs the reader to the relevant note(s).
 - The Pension Fund accounts will also be contained in the final published version. These are being reported and considered as a separate item on the agenda.
- 8 External Auditor's "Annual Report to those Charged with Governance".**
- 8.1 The purpose of Grant Thornton's report is to detail their findings and matters arising during the course of auditing the financial statements.
- 8.2 This reporting requirement is in accordance with the Audit Commission's statutory Code of Practice for Local Government bodies. It requires auditors to report to those charged with governance before the audit is finalised.
- 8.3 The Grant Thornton report at Appendix 2 sets out the findings of the auditors under various headings and contains an agreed action plan for making further improvements to the accounts closing procedures.
- 8.4 The Council has worked closely with Grant Thornton throughout the accounts and audit process, ensuring a smooth and efficient audit.



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- 8.5 The report from Grant Thornton also contains the 2011 Value for Money conclusion. Grant Thornton will present their report to the Committee.
- 8.6 There are no areas of dispute between the Council and the auditors and all amendments the auditors have asked to be made to the accounts have been actioned, except for an estimate in respect of the Housing Benefit subsidy creditor (£236k) which officers have not amended on the basis of believing it would be imprudent to reduce the provision for this high risk creditor.
- 8.7 The report from Grant Thornton contains details of all major changes undertaken to the accounts from the original draft along with matters arising and an action plan, which contains the management responses and implementation dates.
- 8.8 Overall the Annual Governance report is very positive and draws conclusions in respect of the Council's financial affairs, some of the key issues are summarised below:
"Our evaluation of the Council's key financial control systems did not identify any control issues that present a risk to the accuracy of the financial statements."
- 8.9 The Value for Money conclusion heading Securing Financial Resilience:
Financial Governance "The Council has a well established approach to financial governance that has delivered solid results in recent years".
Financial Control "The Council has a robust approach to financial and performance management, and has a largely good record in controlling spend in non demand led services".
- 8.10 It also cautions on the challenges involved with Strategic Financial planning with the scale of savings required and maintaining budgetary control in a period of financial management culture change.
- 8.11 During the course of the audit a number of changes were suggested to the accounts and these are detailed in Appendix B of the auditor's report.
- 8.12 The agreed action plan is at Appendix C of their report. The individual actions are in the process of being assigned to responsible officers and their achievement will form part of ongoing monitoring.

9 Next Steps

- 9.1 Grant Thornton are required to give their opinion on the accounts by 30 September so any outstanding work on the audit needs to be completed before then.



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9.2 The Director of Corporates Resources is required to sign a letter of representation to acknowledge the responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. A draft of this letter received from Grant Thornton is contained as Appendix 2.

9.3 The report from Grant Thornton includes an action plan which requires a formal management response from the Council. The Council has agreed all of the recommendations and its response is included at the end of this report.

9.4 The result of this audit will be incorporated in the Annual Audit and Inspection Letter which needs to be completed and agreed with officers and the Leader of the Council by the end of January 2012. It will then be made available to all Councillors and reported to the Cabinet. The final letter will contain references to the final opinion and a summary of the Annual Governance report issues.

10 Comments of the Chief Financial Officer and Financial Implications

10.1 There are no direct financial implications arising from the recommendations in this report other than the increase in the Council's available reserves noted in section 8.

11 Head of Legal Services comments

11.1 There are no specific legal implications beyond those stated in the body of this report.

12 Policy Implication

12.1 N/A

13 Use of Appendices

13.1 Appendix 1: Statement of Accounts for 2010/11

13.2 Appendix 2: Report of the Council's external auditor: London Borough of Haringey Audit 2010/11; Annual Report to those Charged with Governance.

13.3 Appendix 3: Draft copy of the letter of representation from the Council to the external auditor.

14 Local Government (Access to Information) Act 1985

14.1 Director of Corporate Resources Report to Cabinet on 7 June 2011 'Financial Outturn 2010/11'.



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