



**Haringey** Council

<b>Report for:</b>	Corporate Committee 29 <sup>th</sup> September 2014	<b>Item number</b>	
<b>Title:</b>	<b>Statement of Accounts 2013/14 and Audit Findings Report (ISA 260)</b>		
<b>Report authorised by :</b>	Kevin Bartle Assistant Director – Finance (CFO)		
<b>Lead Officer:</b>	Neville Murton Head of Finance (Budgets, Accounting and Systems)  Tel: 020 8489 3176; Email: neville.murton@haringey.gov.uk		
<b>Ward(s) affected:</b> All	<b>Report for Key/Non Key Decision:</b> Non-key		

## **1 Describe the issue under consideration**

- 1.1 To present the Statement of Accounts for 2013/14 following the completion of the external audit.
- 1.2 To consider the statutory Annual Report to those charged with Governance from 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 Not applicable.

## **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 2013/14, subject to any final changes required by the conclusion of the audit, being delegated to the Chief Financial Officer in consultation with the Chair.
- 3.3 That the committee notes the Audit Findings Report (ISA 260) of the auditors, Grant Thornton, and approves the management responses in the Grant Thornton action plan contained within that 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 audited Statement of Accounts must be approved by the statutory deadline of 30<sup>th</sup> September each year.
- 4.2 The Statement of Accounts for 2013/14 is appended to this report for approval and the auditors (Grant Thornton) are proposing that an unqualified audit opinion be given.
- 4.3 The final outturn on both the General Fund and the Housing Revenue Account (HRA) is unchanged from that reported to Cabinet in June 2014; reflecting surpluses of £5.489m and £7.573m respectively.
- 4.4 The statutory report of Grant Thornton on matters relating to the Council's governance responsibilities needs to be considered before a final opinion of the council's financial statements for 2013/14 is given.

#### **5 Background information**

- 5.1 Approval of the Council's accounts is a non-executive function, fulfilled by the Corporate Committee. Members are required to formally approve the statutory accounts after the conclusion of the annual audit and by the 30<sup>th</sup> September each year.
- 5.2 The Council's Statement of Accounts for 2013/14 is attached as Appendix 1 and comprises three elements:
  - An explanatory foreword
  - The Annual Governance Statement
  - The Statement of Accounts
- 5.3 The Auditors "Annual Audit Findings Report" (ISA 260) for 2013/14 is attached as Appendix 2 and comprises:
  - Executive summary
  - Audit findings
  - Value for Money
  - Fees, non audit services and independence
  - Communication of audit matters
  - Action plan
  - Audit opinion
- 5.4 The preparation and audit of the annual statement of accounts is a statutory requirement of the Accounts and Audit (England) Regulations 2011. The Accounts must be prepared and certified by 30<sup>th</sup> June by the Chief Financial Officer (the 'responsible finance officer') that it represents a true and fair view of the financial position of the Council.



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By no later than 30<sup>th</sup> September the accounts must be audited, considered by the appropriate committee responsible for audit and published.

### **6 Statement of Accounts**

6.1 The content of the Statement of Accounts is largely determined by statutory requirements and mandatory professional standards as set out within the “Code of Practice on Financial Reporting” published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Reporting Standards (IFRS).

6.2 The purpose of the Statement of Accounts is to provide clear information about the authority’s finances and should answer such questions as:

- What did the authority’s services cost in the year?
- Where did the money come from?
- What were the authority’s assets and liabilities at the year end?

The Statement of Accounts reflects a common pattern of presentation to facilitate comparison with the accounts of other organisations.

6.3 The Council’s Provisional Outturn 2013/14 was reported to Cabinet in June 2014 and detailed an overall underspend on the General Fund revenue budget of £5.491 million and an HRA surplus for the year of £7.573 million. Following the production of the annual accounts the final outturn for both the General Fund and the HRA has remained as reported save for a minor rounding variation on the General Fund to £5.489m.

### **7 Explanation of the Accounts**

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

#### **Sections of the Statements**

7.2 The Statement of Accounts including, for comparative purposes, the previous years figures comprises the following main elements:

- The Movement in Reserves Statement shows the money that the Council had in its reserves 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 2014. It shows the movement in both useable and un-useable reserves including Earmarked Reserves.
- The Comprehensive Income and Expenditure (I&E) Statement shows the costs incurred and income received in respect of the services provided by the Council within the financial year. The I&E contains a number of ‘accounting’ entries that are required to be



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made by the code of practice governing the presentation of the accounts: and as a result it is very different from the standard management accounts reported to Members through the year.

- The Balance Sheet lists the financial value of the assets and liabilities of the Council as at the end of March 2014.
- Unlike the Income and Expenditure Statement the Cashflow Statement shows movement during the year based on cash transactions. As such it explains how the Council's cash position has changed over the course of the year.
- The Notes to the Accounts provide more detail behind the figures in the four main statements above. The references on the statements direct the reader to the relevant note(s).
- The Housing Revenue Account (HRA) is a separate ring-fenced account showing the expenditure and income relating to the management and maintenance of the Council's social housing stock.
- The Pension Fund Accounts are separate from the rest of the Council's accounts and show the income (pension contributions and investment returns) and expenditure (pension payments and fund management costs) for the year together with the assets and liabilities of the Pension Fund as at 31<sup>st</sup> March 2014. The Fund is audited at the same time as the Council's main accounts but is subject to a separate audit opinion. The Pension Fund accounts have been reported to the Pension Committee Meeting held on 18<sup>th</sup> September.
- The Collection Fund is a separate account detailing Council Tax collections (including those collected on behalf of the Greater London Authority) and National Non-Domestic Rates (NNDR) which, following implementation of the Business Rates Retention Scheme, are shared between the Council, the Government and the GLA.
- The Group Accounts show the financial position of the Council's 'Group'; this comprises the Council itself plus its share of any controlled Companies. The Council incorporates Homes for Haringey and Alexandra Park and Palace Charitable Trust within its Group Accounts.

## 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. The report is attached as Appendix 2, and includes key audit issues, value for money conclusions and an agreed management action plan.



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8.2 There are no areas of dispute between the Council and the auditors and the auditors have not identified any material items which would require changes to be made to the accounts.

8.3 The Annual Report to those charged with Governance is positive, reflecting the continued improvement that is taking place in this area and in particular the appointment of an experienced Chief Accountant during the last year. The auditors have specifically identified improvements in both the quantity and quality of the supporting working papers which allow the audit to be completed as effectively as possible. The Auditors will also make an oral presentation of their findings to the Committee.

## **9 Next Steps**

9.1 Grant Thornton are required to give their opinion on the accounts by 30<sup>th</sup> September 2014 so any outstanding work on the audit needs to be completed before then.

9.2 The Chief Financial Officer 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. This letter is included as Appendix 3.

9.3 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 2015. 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.

## **11 Head of Legal Services comments**

11.1 The Head of Legal Services has been consulted in the preparation of this report, and confirms that the Corporate Committee has the Constitutional power to make the decisions sought as part of its terms of reference.

11.2 The Head of Legal Services also notes that the Statement of Accounts has been produced in accordance with legislative requirements of Part 3 of the Accounts and Audit (England) Regulations 2011 and industry best practice principles, and that there are no areas of dispute between the Council and the auditors. Accordingly, the Head of Legal Services advises that there are no direct legal implications arising from the report.

## **12 Policy Implication**



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12.1 None

### **13 Use of Appendices**

- 13.1 Appendix 1: Haringey Council and Group Statement of Accounts for 2013/14 including the Annual Governance Statement.
- 13.2 Appendix 2: Report of the Council's external auditor to those Charged with Governance (ISA 260)
- 13.3 Appendix 3: Draft copy of the letter of representation from the Council to the external auditor.

### **14 Local Government Act, 2000 (Section 97)**

- Assistant Director – Finance (CFO) Report to Cabinet June 2014 'The Council's Provisional Financial Outturn 2013/14'.
- Closure of Accounts Working Papers

All the above papers are available for inspection through Neville Murton Head of Finance (Budgets, Accounting and Systems) ext. 3176.