

Report for: Corporate Committee 15th September 2016
Item number: 8
Title: Statement of Accounts 2015/16 and Audit Findings Report (ISA 260)

Report authorised by : Tracie Evans – Chief Operating Officer

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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 2015/16 following the completion of the external audit.
- 1.2 To consider the statutory Annual Report to those charged with Governance from BDO LLP 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 BDO LLP.
- 3.2 That the Committee approves the Statement of Accounts 2015/16, 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, BDO LLP, and approves the management responses in the BDO LLP action plan contained within that report.

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 30th September each year.

- 4.2 The Statement of Accounts for 2015/16 is appended to this report for approval and the auditors (BDO LLP) are proposing that an unqualified audit opinion be given.
- 4.3 The final outturn on both the General Fund is unchanged from that reported to Cabinet in June 2016; reflecting a £6.8m deficit (overspend) on the General Fund.
- 4.4 The statutory report of BDO LLP on matters relating to the Council's governance responsibilities needs to be considered before a final opinion of the council's financial statements for 2015/16 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 30th September each year.
- 5.2 The Council's Statement of Accounts for 2015/16 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 2015/16 is attached as Appendix 2.
- 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 30th 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. This was done on 10th June 2016.
- 5.5 By no later than 30th September each year 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 2015/16 was reported to Cabinet in June 2016 and detailed an overall overspend on the General Fund revenue budget of £6.8 million and an HRA surplus for the year of £0.7 million. Following the production of the annual accounts the final outturn for both the General Fund and the HRA has remained unchanged

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

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 2016. 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 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 2016.
- 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 31st March 2016. 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 8th 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 BDO LLP 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.
- 8.2 There are no areas of dispute between the Council and the auditors and the auditors have not identified any material items. The auditors have highlighted a number of areas where, through their work, they have identified where improvements to controls could be made which would further minimise the chance of mis-statement within the accounts. The Council has considered the points raised and prepared and agreed an action plan to bring about those improvements; this is annexed to the auditors report.
- 8.3 The Annual Report to those charged with Governance is positive, reflecting the continued improvement that is taking place in this area. The Auditors will also make an oral presentation of their findings to the Committee.

9 Next Steps

- 9.1 BDO LLP are required to give their opinion on the accounts by 30th September 2016 so any outstanding work on the audit needs to be completed before then.
- 9.2 The Chief Financial Officer and the Chair of the Corporate Committee are 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 October 2016. 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 Comments of the Assistant Director, Corporate Governance and Legal Implications

11.1 The Assistant Director, Corporate Governance 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 Assistant Director, Corporate Governance 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 Assistant Director, Corporate Governance advises that there are no direct legal implications arising from the report.

12 Policy Implication

12.1 None

13 Use of Appendices

13.1 Appendix 1: Haringey Council and Group Statement of Accounts for 2015/16 including the Annual Governance Statement, including the draft copy of the letter of representation from the Council to the external auditor at page 17 of the accounts.

13.2 Appendix 2: Report of the Council's external auditor to those Charged with Governance (ISA 260), including the draft letter of representation at pages 51-52 of the auditors' report.

14 Local Government Act, 2000 (Section 97)

- Assistant Director – Finance Report to Cabinet June 2016 'The Council's Financial Outturn 2015/16'.
- Closure of Accounts Working Papers

All the above papers are available for inspection through Anna D'Alessandro Head of Finance ext. 1116.