

Report for: Corporate Committee 21st September 2017

Item number: 10

Title: Statement of Accounts 2016/17 and Audit Findings Report

Report authorised by : Clive Heaphy, Chief Finance Officer

Lead Officer: Robert Woollatt, Interim Chief Accountant
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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

- 1.1 To present the Statement of Accounts for 2016/17 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 2016/17, 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 gives the Chair of the Committee and Chief Finance Officer (S151 Officer) authority to sign the letter of representation to the Auditor as set out in paragraph 6.12 of this report
- 3.4 That the committee notes the Audit Findings Report of the auditors, BDO LLP, and approves the management responses in the BDO LLP action plan contained within that report.

4. Reasons for decision

4.1 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. From 2017/18 the statutory deadline will be brought forward to 30th July each year.

5. Alternative options considered

5.1 None

6. Background information

6.1 The preparation and audit of the annual statement of accounts is a statutory requirement of the Accounts and Audit (England) Regulations 2015. The Accounts must be prepared and certified by 30th June by the Chief Financial Officer that it represents a true and fair view of the financial position of the Council. This was done on 21st June 2017.

6.2 By no later than 30th September each year the accounts must be audited, considered by the appropriate committee responsible for audit and published. This date will be brought forward to 31st July from 2017/18.

6.3 The Council's Statement of Accounts for 2016/17 is attached as Appendix 1

6.4 The Auditors "Audit Completion Report" for 2016/17 is attached as Appendix 2.

6.5 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).

6.6 The Council's Provisional Outturn 2016/17 was reported to Cabinet in June 2017 and detailed an overall overspend on the General Fund revenue budget of £16.1m million and an HRA underspend against budget of £10.7m. Following production of the annual accounts it was identified that HRA spending of £0.99m was incorrectly attributed to the General Fund. Correction of this error meant General Fund Reserves increased from £14.907m to £15.897m and there was a corresponding reduction in HRA reserves to £36.509m.

Statement of Accounts 2016/17

6.7 The following paragraphs give a brief overview of the statements by way of explanation and to facilitate navigation of the document. The Accounts show the financial position of the Council (the single entity accounts) and also the "Group" which 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:

- a) The Narrative Report provides commentary on the financial and non-financial performance of the Council, highlights most significant matters reported in the accounts as well as looking at future developments and challenges for the Council and key strategic risks. The narrative report is not formally part of the Statement of Accounts and is not therefore covered directly by the statutory requirements for an audit opinion.
- b) The Core Statements comprising:

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 different from the standard management accounts reported to Members through the year.

From 2016/17 a new financial performance statement was introduced, the **Expenditure and Funding Analysis (EFA)**, to show:

- the income and expenditure chargeable to General Fund and HRA balances; and
- adjustments required to prepare accounts on a generally accepted accounting basis.

The objective of the EFA is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. council tax, housing rents, business rates and central government grant) has been used in providing services in comparison to those resources consumed in accordance with generally accepted accounting practices. The EFA shows how the resources have been allocated for decision making purposes. The EFA is not a primary statement but has been included with the Core Statements to give prominence to this important note.

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 2017. It shows the movement in both useable and un-useable reserves including Earmarked Reserves.

The Balance Sheet lists the financial value of the assets and liabilities of the Council as at the end of March 2017.

The Cashflow Statement shows movement during the year based on cash transactions (rather than an accruals basis in the CIES). As such it explains how the Council's cash position has changed over the course of the year.

- c) Notes to the Accounts

The Notes to the Accounts provide more detail behind the figures in the four main statements above and the EFA. The references on the statements direct the reader to the relevant note(s).

d) Subsidiary Statements

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 **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.

e) The Pension Fund Accounts

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 2017. 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 14th September.

Also published with the Statement of the Accounts is the Annual Governance Statement (AGS). The AGS sets out the governance structure of the Council and its key internal controls.

External Auditor's "Audit Completion Report"

6.8 The purpose of the 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. The Auditors will also make an oral presentation of their findings to the Committee

6.9 Whilst the auditors have identified a number of amendments to the accounts, there are no areas of dispute between the Council and the auditors. The audit has been extremely thorough and has highlighted areas 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.

6.10 Progress in delivery of the action plan will be closely monitored and progress reported to Corporate Committee.

Next Steps

6.11 BDO LLP are required to give their opinion on the accounts by 30th September 2017 so any outstanding work on the audit needs to be completed before then.

6.12 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.

6.13 The result of this audit will be incorporated in the Annual Audit and Inspection Letter which will be presented to Corporate Committee in November 2017. 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.

7. Contribution to strategic outcomes

7.1 Good financial management supports delivery of strategic outcomes

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

Included within the Report

Legal

The Statement of Accounts has been produced in accordance with the Accounts and Audit (England) Regulations 2015 and the Chartered Institute of Public Finance (CIPFA) Code of Practice, industry best practice principles and there are no areas of dispute between the Council and the auditors. Accordingly there are no direct legal implications arising from the report.

Equality

There are no equality issues arising from this Report

9. Use of Appendices

Appendix 1 – Statement of Accounts 2016/17

Appendix 2 – BDO LLP ‘Audit Completion Report’

Appendix 3 – Letter of Representation

10. Local Government (Access to Information) Act 1985

a. Cabinet Outturn Report July 2017

b. Closure of Accounts 2016/17 working Papers

All the above papers are available for inspection through Rob Woollatt, Interim Chief Accountant ext. 2766