



## Report of: Corporate Director of Finance

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	19 September 2017		ALL

## STATEMENT OF ACCOUNTS 2016-17 (INCLUDING PENSION FUND ACCOUNTS) AND ANNUAL GOVERNANCE REPORT

### 1. SYNOPSIS

- 1.1 Islington is determined to achieve its vision of a “Fairer Islington”. Significant amongst these is the achievement of sound financial management and confidence in this Council’s financial future. This report sets out the Statement of Accounts for 2016/17. It demonstrates sound financial management and provides evidence to stakeholders that they should have confidence in the Council’s financial future.

### 2. RECOMMENDATIONS

- 2.1 To approve the 2016/17 audited Statement of Accounts, Pension Fund Accounts and the accompanying Annual Governance Statement.
- 2.2 To note the auditor’s Annual Governance Report and Value for Money conclusion.
- 2.3 To agree the action plan in Appendix 1 of the Annual Governance Report.
- 2.4 To approve the letter of representation set out in Appendix B.

### **3. BACKGROUND**

- 3.1 The purpose of this report is to report the outcome of the audit of the draft Statement of Accounts that were presented to the Auditors at the end of June 2017 and the details of the Auditor's Annual Governance Report.
- 3.2 The Committee is required to approve the audited Statement of Accounts by 30 September 2017, including the accompanying Annual Governance Statement.
- 3.3 There is also the requirement that a general letter of representation on behalf of the Council's management be provided to the Auditor.

### **4. STATEMENT OF ACCOUNTS 2016/17**

- 4.1 The Council is required to prepare financial accounts covering the period from 1st April to 31st March, each year. These statements have to be presented in the required statutory format, following the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code)*, which means that the financial information contained in the Statement of Accounts will be presented in a different way to how it is normally reported in financial monitoring reports.
- 4.2 Between Monday 26<sup>th</sup> June and Friday 4<sup>th</sup> August, the accounts and supporting documentation were made available for public inspection. During this period, the Auditors have and will consider any questions or objections relating to the accounts. The relevant statutory public notice was published on the Council's website and posted in key public buildings.
- 4.3 After several years of continuous major changes there were a few significant changes in accounting requirements or policies since the previous year. These included the Consolidated Income and Expenditure Statement to be based upon the management segments of the Council and the introduction of a new statement, the Expenditure and Funding Analysis (EFA). The audit has shown that the Council has successfully implemented these changes.

#### **Quality Assurance**

- 4.5 As in previous years, the closing of accounts timetable had a process of quality assurance.
- 4.6 In line with the council's policy to reduce agency staff, the Finance department has not engaged any agency staff to support its work this year.

#### **Highlights**

- 4.7 The Statement of Accounts is a very complex document. In order to aid understanding, a presentation will be made setting out the key elements and highlights from the accounts.
- 4.8 The Statement of Accounts (including Pension Fund) are expected to receive a clean audit opinion from the Council's auditors. The Auditor has found the draft accounts submitted to audit to be on time, complete and at this stage only very minor presentational adjustments have been made to them. The Pension fund accounts were slightly delayed due to resourcing issue which have now been resolved.

- 4.9 No material adjustments are proposed to the Council's Accounts.
- 4.10 The Auditors are also reporting that supporting working papers supplied during the audit were of a high quality and Council officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
- 4.11 The Statement of Accounts will be formally published with the audit opinion at the end of September.

## **5. ANNUAL GOVERNANCE REPORT**

- 5.1.1 The auditor's Annual Governance Reports for the year ended 31 March 2017 is attached at Appendix A. It summarises the findings of the 2016/17 audit, which is substantially complete, with just a few queries remaining at the time of writing.
- 5.1.2 The Auditor will attend the meeting of the Committee to present his findings and update the Committee on any matters that may have arisen since the publication of his report. The key elements of the report are summarised below.

### **Value for Money Conclusion**

- 5.2 The Auditor intends to issue an unqualified conclusion that the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

### **Management Representation Letter**

- 5.3 It is a requirement of the International Auditing Standards for the Auditors to request a letter from the Council that sets out various representations. Appendix B sets out a draft of the letter that will be signed by the Director of Finance and Chair of the Audit Committee on behalf of the council's management. If there is any material change to the letter prior to its signing and communication to the Auditor, this will then need to be reported to the Committee.

### **Adjusted Amendments**

- 5.4 The Council's main Statements of Accounts were free from material error. The Annual Governance Report confirms that only minor presentational adjustments were made to the Statements.

### **Recommendations**

- 5.5 The auditor has made a number of recommendations to further improve the process and meet tighter future timescales. The Council has accepted all of these and believes it can address them in a timely manner.

## **6. IMPLICATIONS**

### **Financial Implications**

- 6.1 These are contained within the body of the report.

### **Legal Implications**

- 6.2 Section 3(3) of the Local Audit and Accountability Act 2014 and Regulation 7 of the Accounts and Audit Regulations 2015 require a local authority to prepare an annual statement of accounts. Regulation 9(1) requires that the responsible officer (the

Corporate Director of Finance and Resources) certifies the statement no later than 30th June following the end of the financial year. The statement must be recertified, considered, approved by the Council or an appropriate committee and published (along with the auditor's opinion) by no later than 30th September (Regulations 9(2), 10(1) and 21). As the approval of accounts is a non-executive function, the appropriate committee is the Audit Committee. Regulation 9(2) requires the approved accounts to be signed by the person presiding over the meeting that approved them, in other words, by the chair. Following approval by the committee and signature by the Chair, the accounts will then be formally posted onto the Council's website and copies will be distributed as appropriate. The annual governance statement must also be approved by the committee and published on the council's website by 30 September (regulations 6(2) and 10(1)).

**Resident Impact Assessment**

6.3 There are no direct equality implications.

**7. CONCLUSION**


7.1 The significant effort of all concerned in producing the statement of accounts and supporting the audit has been rewarded with a clean audit sign-off and an encouraging Annual Governance Report. The Audit Committee can be confident that the Council is well positioned to continue to report its financial activities and address the recommendations made by the auditors.

**Appendices**

- A Annual Governance Report 2016/17
- B Letter of Representation
- C Statement of Accounts 2016/17 including Pension Fund Accounts
- D Annual Governance Statement 2016/17

**Background papers:**

None

<b>Signed by</b>		8 September 2017
	Director of Financial Management	Date
<b>Received by</b>	.....	.....
	Head of Democratic Services	Date

Responsible Officer: Alan Layton, Director of Financial Management  
 Report Author: Mohammed Sajid, Chief Accountant  
 Tel: 020-7527-2574

Email : mohammed.sajid @islington.gov.uk

Legal Implications

Author: David Daniels

Tel: 020 7527 3277

Email: [david.daniels@islington.gov.uk](mailto:david.daniels@islington.gov.uk)