

**Financial Statements Audit 2015/16 – Annual Governance Report (Council and Pension Fund)**

**AUDIT COMMITTEE  
MEETING DATE 2015/16**

**21 September 2016**

**CLASSIFICATION:**

**Open**

**If exempt, the reason will be listed in the main body of this report.**

**WARD(S) AFFECTED**

**All Wards**

**GROUP DIRECTOR**

**Ian Williams Corporate Director of Finance and Resources**

## **1. CORPORATE DIRECTOR'S INTRODUCTION**

- 1.1 This Annual Governance Report sets out the position on the audit of the Council's and Pension Fund's financial statements and the conclusion on the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources.

## **2. RECOMMENDATION**

- 2.1 The Audit Committee is recommended to note the contents of this report.**

## **3. REASONS FOR DECISION**

- 3.1 The external auditors are required to report to "those charged with governance" any matters arising from the annual audit of the Council's financial Statements and those of the authority's Pension Fund before they are able to issue audit opinions on those statements.

## **4. BACKGROUND**

- 4.1 The Annual Governance Report discharges the external auditor's responsibility under the International Standards of Auditing (ISA) (UK & Ireland) 260, communication of audit matters with those charged with governance.

### **4.2 Policy Context**

### **4.3 Equality Impact Assessment**

For the purposes of this report, an Equality Impact Assessment is not applicable.

### **4.4 Sustainability**

Not applicable - This report contains no new impacts on the physical and social environment.

### **4.5 Consultations**

Not applicable

### **4.6 Risk Assessment**

Details of the auditors assessment of risk associated with the audit of the accounts is outlined in the ISA260 Report included at Appendix 1.

## **5. EXTERNAL AUDITOR'S ISA260 REPORT**

- 5.1 At the time of writing this report, work on the audits of both the Council's main accounts and the Pension Fund accounts is substantially complete, subject to the completion of the auditor's final review and completion procedures. The auditor has completed his work on the value for money conclusion. The attached report sets out the matters arising from the audit that need to be brought to the Committee's attention.

- 5.2 The auditor expects to issue an unqualified audit opinion on both the Council's and Pension Fund's accounts; and a value for money conclusion by 30 September 2016.

- 5.3 To date the Council has received no objections to the 2015/16 accounts and all of those outstanding from previous years have been cleared/withdrawn. Unless such objection is received between now and the date of issue of the audit opinion therefore, an audit certificates formally closing the audit will also be issued. However,

If an objection does materialise, the auditors will not be able to conclude the audit and issue a certificate until the objection has been reviewed.

- 5.4 Based on progress to date the auditor expects the fee for the Council audit to remain at £226,320 and the fee for the Pension Fund audit is to also remain the same at £21,000 for 2016/17.
- 5.5 The external auditors will present the ISA260 report at the Audit Committee meeting and take any questions from members of the Committee regarding the audit of the accounts.

## **6 COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

- 6.1 The contents of the attached Annual Governance Report for both the Council's Accounts and the Pension Fund Accounts from the external auditor have been agreed with myself and the appropriate Officers.
- 6.2 As set out in the report, the work to finalise the audit of the Council's Accounts and the Pension Fund Accounts is at the time of writing near completion. It is pleasing to note that once again it is anticipated that the auditor will be able to issue unqualified opinions in respect of both sets of accounts. In addition, we will again receive an unqualified conclusion relating to Value for Money.
- 6.3 The good practice of ensuring the standards are being maintained has continued in 2015/16 and just two recommendations will be made by the auditors. These are highlighted on pages 25 and 26 of the ISA260 report. This is particularly noteworthy when considered in the context of significant cuts in central government financing to local government and the resulting reductions that have been made across Finance & Resources, specifically in 2015/16 within Financial Management where the corporate responsibility for production of the Statement of Accounts lies.
- 6.4 KPMG are into their fourth year of auditing the Council's account following the outsourcing of the work from the ex-Audit Commission. As a result of this and as in 2013/14, the time allowed for the audit was much reduced compared to previous years with the result that the main audit for both Pension Fund and Council's main statements was substantially completed before the end of August.
- 6.5 I would like to place on record my thanks to the auditors for the way it has worked with my Officers to ensure that the audit is completed within the required timeframes.
- 6.6 I would also like to thank all those officers involved with the preparation of the Statement of Accounts for the hard work that they have undertaken to ensure that we can complete the audit both on time and without qualification.

## **7. COMMENTS OF THE DIRECTOR OF LEGAL SERVICES**

- 7.1 Section 151 of the Local Government Act 1972 provides that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.'

- 7.2 The proper administration of the Council's affairs includes the obligation on the Council to have its accounts audited in accordance with the Audit Commission Act 1998.
- 7.3 The Council's Constitution gives the Audit Committee responsibility for adopting the annual statement of accounts and for considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit which need to be brought to the attention of the Council.
- 7.4 Consideration of this report by the Committee is in pursuance of the above mentioned obligations and is part of the Council's fulfilment of its duties.

#### **APPENDICES**

Appendix 1 – ISA260 Report re 2015/16 Accounts

Appendix 2 – Draft management letter of representation

#### **BACKGROUND PAPERS**

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required

#### **Description of document**

None

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