

Financial Statements Audit 2016/17 – Annual Governance Report (Council and Pension Fund)

**AUDIT COMMITTEE
MEETING DATE 2017/18**

25 July 2017

CLASSIFICATION:

Open

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

WARD(S) AFFECTED

All Wards

CORPORATE 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 in the final stages and the auditor's ISA260 report is in draft format pending completion of the audit. The auditors will present the final report at the Audit Committee setting out any 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 the Council's accounts; and a value for money conclusion by 31 July 2017.

- 5.3 It is anticipated that an unqualified Pension Fund Opinion will be issued before the 30th September 2017. This cannot be issued until the Pension Fund Annual Report is finalised as the auditors are required to cross-check information between the two documents.

- 5.4 To date the Council has received no objections to the 2016/17 accounts and all of those outstanding from previous years have been cleared/withdrawn. However, the audit of the Whole of Government Accounts return is not complete as guidance from HM Treasury has only recently been received and therefore the auditors will be unable to conclude the audit and issue a certificate. There is also a requirement for the Pension Fund opinion to have been issued before the certificate formally concluding the audit can be issued.
- 5.5 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.
- 5.6 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 Annual Governance Report for both the Council's Accounts and the Pension Fund Accounts from the external auditor will be agreed with myself and the appropriate Officers.
- 6.2 As set out above, 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 2016/17 and it is anticipated that just four recommendations will be made by the auditors. 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, where the corporate responsibility for production of the Statement of Accounts lies.
- 6.4 KPMG are into their fifth year of auditing the Council's account following the outsourcing of the work from the ex-Audit Commission. As a result of this and co-operation between officers and the auditors, the time allowed for the audit will be much reduced compared to previous years with the result that it is anticipated that the main audit for both Pension Fund and Council's main statements will be complete by the end of July.
- 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

1 – External Audit Report 2016/17 – to follow

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 (or None)

None

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