

<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>AUDIT, PENSIONS AND STANDARDS COMMITTEE</b></p> <p><b>20 September 2017</b></p>	
<p><b>STATEMENT OF ACCOUNTS 2016/17</b></p>	
<p><b>Report of the Strategic Finance Director – Hitesh Jolapara</b></p>	
<p><b>Open Report</b></p>	
<p><b>Classification:</b> For Decision  <b>Key Decision:</b> No</p>	
<p><b>Wards Affected:</b> All</p>	
<p><b>Accountable Director:</b> Hitesh Jolapara, Strategic Finance Director</p>	
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## 1. EXECUTIVE SUMMARY

- 1.1. This report presents the London Borough of Hammersmith and Fulham's Statement of Accounts, including the Pension Fund Accounts, for 2016/17 and the external auditor's (KPMG) draft opinion on the accounts. In summary, the auditor anticipates issuing an unqualified opinion on the Council's accounts and on the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').
- 1.2. The report also highlights the headline information from the Statement of Accounts and the auditor's final report.

## 2. RECOMMENDATIONS

- 2.1. To note the content of the auditor's 'Report to those Charged with Governance (ISA260)' (appendix 2) stating that the accounts will receive an unqualified opinion, the Council has an adequate internal control environment and has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 2.2. To note the auditor's findings, recommendations and the Council's response to those recommendations as set out in the Report to those Charged with Governance (ISA260).

- 2.3. To approve the management representation letter (as included at appendix 3).
- 2.4. To approve the Statement of Accounts for 2016/17, including the Pension Fund Accounts (as included at appendix 1).
- 2.5. To approve the Annual Governance Statement which is included in the Statement of Accounts.
- 2.6. To approve the Pension Fund Annual Report 2016/17 (as included at appendix 4)

### **3. REASONS FOR DECISION**

- 3.1. The Audit, Pensions and Standards Committee are required to approve the Council's audited year-end Statement of Accounts before the end of September in accordance with the Accounts and Audit Regulations 2015.

### **4. INTRODUCTION AND BACKGROUND**

#### **4.1. INTRODUCTION**

- 4.1.1. KPMG's Report to those Charged with Governance (ISA260) for Hammersmith and Fulham 2016/17 is attached to this report (Appendix 2). It sets out KPMG's findings from this year's audit relating to two main areas:

- Financial Statements
- Value for Money

- 4.1.2. This report gives a brief overview of the key points arising from the Statement of Accounts and summarises the issues included in the ISA260. Attached as Appendix 1 is the Statement of Accounts for approval by the Audit, Pensions and Standards Committee.

- 4.1.3. Included within the ISA260 is KPMG's commentary on the Pension Fund accounts.

- 4.1.4. It should be noted that the accounts remain 'unaudited' until the audit opinion is formally signed and dated by KPMG and the audit remains open until final certification. The accounts are therefore subject to change until that point.

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

- 4.2.1. The Narrative Statement at the beginning of the Statement of Accounts, gives an outline of the Council's financial activity during 2016/17. In summary the key points are:

- A General Fund revenue account under-spend of £0.2m
- A General Fund balance of £19.0m.
- A Housing Revenue Account (HRA) surplus of £1.6m for the year, increasing its working balance to £20.1m.
- Earmarked reserves at 31 March 2016 of £108.3m.

Further details on all these elements can be found within the Statement of Accounts.

### **4.3. REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA260)**

4.3.1. The ISA260 (Appendix 2) summarises the findings from KPMG's 2016/17 audit. KPMG, as the appointed auditors, state that:

- they plan to issue an unqualified opinion; and,
- they have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The auditor has highlighted the headline information from the audit on pages 4-5 of their report. The audit identified a number of disclosure adjustments to the draft accounts. These are detailed in Appendix 3 of the ISA260 report. These accounting adjustments have had no impact on the Council's General Fund balance or other usable reserves – i.e. there has been no impact on the 'bottom line' from these adjustments.

4.3.2. The auditor has made a number of recommendations. These, together with the Council's responses, are set-out in Appendix 1 of the ISA260 report.

4.3.3. The auditor also asks the Committee and management for written representations about the financial statements and governance arrangements. To that end Members are asked to consider and approve the draft letter of representation included at Appendix 3.

### **4.4. PENSION FUND**

4.4.1. KPMG's Report to those Charged with Governance (ISA260) includes commentary for their audit of the Pension Fund accounts. The auditor plans to issue an unqualified opinion in this area and there are no specific matters which the auditor wishes to bring to the Council's attention concerning the pension fund audit.

4.4.2. The Pension Fund Annual Report is attached at Appendix 4 and will be considered in detail by the Pensions sub-committee on 19<sup>th</sup> September. This report includes reports on the various aspects of the operation of the Fund – investments, administration and funding, as well as the Pension Fund financial statements. The committee are required to approve the Annual Report, so that it can be published once the audit is complete.

### **5. EQUALITY IMPLICATIONS**

5.1. Not applicable.

### **6. LEGAL IMPLICATIONS**

6.1.1. In accordance with the Accounts and Audit Regulations 2015, the Council's audited year end Statement of Accounts must be approved by the Audit, Pensions and Standards Committee and published before the end of September.

6.1.2. KPMG are required to report the findings from their audits in a Report to those Charged with Governance (ISA260) to the Audit, Pensions and Standards Committee before their opinion on the accounts is issued.

## **7. FINANCIAL AND RESOURCES IMPLICATIONS**

7.1. Not applicable.

## **8. RISK MANAGEMENT**

8.1. Not applicable

## **9. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

9.1. Not applicable.

## **10. IMPLICATIONS FOR LOCAL BUSINESSES**

10.1. Not applicable.

### **LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

None.

#### **LIST OF APPENDICES:**

Appendix 1 – London Borough of Hammersmith and Fulham Annual Statement of Accounts 2016/17 (including Pension Fund)

Appendix 2 – KPMG Report to those Charged with Governance (ISA260) (Main Financial Statements and LBHF Pension Fund)

Appendix 3 – Draft Letter of Representation

Appendix 4 – Pension Fund Annual Report