



**Report for:  
DECISION**

**Item Number:10**

Contains Confidential or Exempt Information	<b>No</b>
<b>Title</b>	Draft Statement of Accounts 2013/14
<b>Responsible Officers</b>	Ian O'Donnell Executive Director of Corporate Resources  Maria G Christofi Director of Finance
<b>Authors</b>	Nigel Watson Assistant Director of Corporate Finance Bob Scoffham Head of Financial Control and Reporting Ruairi Hughes Finance Manager - Control Brian Thompson Interim Head of Financial Control and Reporting
<b>Portfolio</b>	Finance and Performance – Councillor Yvonne Johnson
<b>For Consideration By</b>	Audit Committee
<b>Date to be considered</b>	24 June 2014
<b>Implementation Date if Not Called In</b>	N/A
<b>Affected Wards</b>	All
<b>Area Committees</b>	All
<b>Keywords/Index</b>	Governance, Audit, Final accounts

**Purpose of Report:**

The report presents the draft Statement of Accounts for the year ended 31 March 2014 for note and comment by the Audit Committee prior to the commencement of the annual audit of accounts in accordance with the statutory requirements contained within the Accounts and Audit Regulations 2011. It is considered good practice to present the draft accounts to Audit Committee prior to external audit.

The draft Statement of Accounts provides details of the overall financial position for the Council in the Balance Sheet and provides details of the revenue activities for the 2013/14 financial year for the funds that the Council is required by statute to operate these being; the General Fund, the Pension Fund, the Collection Fund, the Housing Revenue Account.

The final Statement of Accounts will be presented to the Audit Committee on 23 September 2014 for final approval once the external audit has been concluded.

## **1. Recommendations:**

It is recommended that Audit Committee note and comment on the draft Statement of Accounts for the year ended 31 March 2014.

## **2. Reason for Decision and Options Considered**

2.1. Regulation 8, "signing, approval and publication of statement of accounts" of the Accounts and Audit (England) Regulations 2011 require that the Council's accounts must be signed by the Executive Director of Corporate Resources by 30 June 2014 and that these accounts must be certified by the external auditor and published by no later than 30 September 2014.

2.2. As a result of the changes arising from the Accounts and Audit Regulations 2011 there is no longer a requirement for a Council Committee to approve the accounts in June each year. This change brought the approval process into line with all other "large size" organisations which have to comply with International Financial Reporting Standards (IFRS). Thus formal Committee approval of the Statement of Accounts will only be needed by this Committee at its meeting on 23 September 2014 once the external audit of the Council's is finished.

2.3. Although approval is not formally needed at this stage by Audit Committee, it is considered good practice within the Council to present the draft accounts to the Committee to allow Members to consider them in order that they are better informed when approving the final accounts in September.

2.4 Members may also wish to note that the Council's draft Statement of Accounts 2013/14 were prepared two weeks in advance of last year's equivalent and were in signed off by the Section 151 Officer on 13 June 2014. It is intended to bring this date forward again next year as part of the Finance Directorate's continuing improvement process.

## **3. Compliance with the Accounts and Audit Regulations 2011**

3.1. The Council's external auditor; KPMG will again audit the accounts for the 2013/14 financial year. For 2013/14 the Council's Pension Fund accounts will again be audited separately to the Council's main accounts. The Pension Fund accounts will also be audited by KPMG.

3.2. Once the audits are complete, the Council's external auditors will present their findings to the Audit Committee on 23 September 2014 with their overall audit opinion in their ISA 260 report to those charged with governance.

3.3. The Council's Statement of Accounts comply with the Code of Practice for Local Authority Accounting 2014 as produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). This code of practice is based upon International Financial Reporting Standards and comprises accounting

standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Interpretations Committee (IFRIC). It also draws upon the approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board who provide additional guidance. There has been one significant change to the Code this year to account for the new retention of business rates scheme and this has been adopted within the 2013/14 accounts.

- 3.4. The overall Statement of Accounts comprises of the following key core financial statements and individual accounts; the Statement of Accounting Policies, the Movement in Reserves Statement (MiRS), the Comprehensive Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Pension Fund and the Housing Revenue Account.
- 3.5. The core financial statements and accounts are supported by the notes to the accounts which support the key financial statements and identify specific figures that have to be disclosed in accordance with IFRS. The Annual Governance Statement (AGS) is also included in the overall Statement of Accounts.

#### **4. Accounting and Auditing Standards**

- 4.1. The Council's Section 151 Officer is required to approve the Statement of Accounts by 30 June 2014 by way of regulation. In accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain, the statement of accounts is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year 31 March 2014.
- 4.2. The Council's auditors, KPMG are required to prepare a report under the International Standard on Auditing (ISA260). Under this standard which covers "communication of audit matters to those charged with governance" the auditor is required to report relevant matters relating to the audit to those charged with governance. The responsibility will be discharged following the conclusion of the audit by reporting relevant matters to the Audit Committee on 23 September 2014.
- 4.3. Following the conclusion of the audit the Council must then publish the Statement of Accounts by 30th September 2014.

#### **5. Annual Governance Statement**

- 5.1. Audited bodies must also conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements.

CIPFA confirmed that proper practice status was assigned to the Annual Governance Statement (AGS) from 1 April 2007.

## **6. Changes in Accounting and Reporting Requirements**

- 6.1. The layout of the Statement of Accounts is determined by the CIPFA Code of Practice on Local Authority Accounting ('the Code'), which is now based on International Financial Reporting Standards (IFRS).
- 6.2. This year there have only been a few changes to the format and presentation of the accounts. There has however, been one major change in terms of the accounting arrangements for the Collection Fund resulting from the localisation of Business Rates from 1 April 2013.

## **7. The Whole of Government Accounts 2013/14**

- 7.1. The Whole of Government Accounts is the consolidated financial statements for the Whole of Government of the United Kingdom of Great Britain and Northern Ireland.
- 7.2. In accordance with regulation issued by the H.M. Treasury Councils are required to submit their Whole of Government Accounts by 30 June 2014 to the Treasury and also to their respective auditors, in our case to KPMG.
- 7.3. The Whole of Government Accounts is submitted using a data collection tool and template that is provided electronically by the Treasury.
- 7.4. The Whole of Government Accounts does not require formal Committee approval and are therefore is not presented to this Committee in June or in September 2014.

## **8. Closing Board**

- 8.1. The timetable for production of the Council's draft accounts was achieved once again this year. The production of accounts under IFRS remains a complex task and the Assistant Director of Corporate Finance chairs the Closing Board to provide a professional overview to the closing process for the annual accounts to ensure that:
  - Best practice is undertaken in all areas of closing
  - Auditor requests are responded to in a timely manner
  - There is a thorough review of accruals
  - 'Trivial' errors are kept to an absolute minimum
  - Communication between the various finance teams is maximised
  - The closing timetable is regularly reviewed and strictly adhered to.

## **9. Next steps in the process**

- 9.1. A date has been agreed with KPMG after which local government electors for the area to which the accounts relate may exercise their rights to question the external auditors. This date is Monday 11 August 2014.
- 9.2. The draft Statement of Accounts and its related working papers and files will be presented to KPMG and the audit will commence based on an agreed timetable and order of audit.
- 9.3. At the Audit Committee's meeting on 23 September 2014 the auditors will present their final report in their ISA 260 report to those charged with governance. The report may include:-
  - Any expected modifications to the audit report
  - Any adjusted non-trifling misstatements
  - Any material weaknesses in accounting and internal control systems
  - Qualitative aspects of accounting practice and financial reporting
  - Matters required by other auditing standards to be reported to those charged with governance

## **10. Financial Implications**

- 10.1. The Council's General Fund balance stands at £15.4m as at 31/3/2014 and the Council's earmarked reserves total £102.5m at 31/3/2014. The Council's Housing Revenue Account (HRA) achieved a surplus of £1.4m in 2013/14 and HRA earmarked balances stand at £20.1m

## **11. Legal**

- 11.1. Under section 2 of the Audit Commission Act 1998 the Statement of Accounts is to be audited in accordance with the act by an auditor or auditors appointed by the Commission. The Audit Commission has appointed KPMG to carry out this function for the financial year 2013/14 following a tender process that the Audit Commission conducted in 2012.
- 11.2. The Accounts and Audit (England) Regulations 2012 refers to CIPFA guidance in relation to the "proper practice" of internal audit. CIPFA guidance is therefore used in guiding the compilation of the Annual Governance Statement. CIPFA's original proper practice required the most senior officer (Chief Executive or equivalent) and the most senior member (Leader or equivalent) to sign the statement. This is also required by the CIPFA/SOLACE framework for the AGS.

11.3. Under section 151 of the Local Government Act 1972 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. In Ealing this function is carried out by the Executive Director of Corporate Resources.

## **12. Value For Money**

12.1. The external auditors will provide a Value for Money opinion in their ISA 260 report to those charged with governance once the audit is complete.

## **13. Risk Management**

13.1. The project management of the Council's annual statement of accounts is carried out to minimise risks within the accelerated timescale and ensure that statutory obligations are met.

## **14. Community Safety**

14.1. There are no direct links to community safety implications as part of this report

## **15. Links to Strategic Objectives**

15.1. The Council's accounts form a key part of working towards the Council priority of "delivering value for money". The production and publication of The Statement of Final Accounts provides valuable information to the residents of the Council and to its suppliers. The audited accounts will be available on the internet by the end of September.

## **16. Equalities and Community Cohesion**

16.1. There is no need for an Equality Impact Assessment as part of this report.

## **17. Staffing/Workforce and Accommodation implications:**

17.1. None.

## **18. Property and Assets**

18.1. There are no direct property and assets implications as part of this report other than to note that under current accounting rules councils assets are subject to revaluation at least once every 5 years, so the councils values its assets on a rolling programme with approximately 20% of the assets being

valued each year. In addition the full portfolio of HRA assets are uplifted annually to reflect changes in market values. All assets valued above £10,000 (the Council's de-minimus level) are listed in the Council's Accounts.

## **19. Any other implications:**

19.1. None

## **20. Consultation**

20.1. An advertisement will be placed in the Ealing Gazette in late June 2014 stating that the accounts will be open for public inspection during a four week period from 14 July to 8 August 2014.

20.2. The Council is committed to publishing its accounts in a way that is accessible to the public. The unaudited accounts are available to the public on the council's website. The audited version of the accounts will be published on the council's website by the end of September 2014 in accordance with the statutory deadline.

20.3. The Council will publish the annual user friendly summary of the Accounts in the October edition of "Around Ealing" again this year in order to provide further public access to and awareness of the Council's finances.

## **21. Timetable for completion of the accounts process**

<b>Key Activities</b>	<b>2014</b>
Audited Accounts approved by Audit Committee	23 Sept
Publication of accounts on the internet	Before 30 Sept
Publication of summary accounts in Around Ealing	October edition

## **22. Appendices**

22.1. Appendix 1–Statement of Accounts

## **23. Background Information**

23.1. The information used in preparing the Statement of Final Accounts is prepared by the central and service Finance sections during the closing of the accounts process and papers are available in these sections.

23.2. The CIPFA code of practice on local authority accounting in the United Kingdom 2013/14.

## Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Internal				
Maria Christofi	Director of Finance	12.06.14	13.06.14	Throughout
Nigel Watson	Assistant Director of Corporate Finance	12.06.14	12.06.14	Throughout

## Report History

<b>Decision type:</b> <b>For information and action</b>		Urgency item? No	
Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
	30.05.14	16.06.14	13.06.14
Report no.:	Report author and contact for queries:  Brian Thompson Interim Head of Financial Control and Reporting 020 8825 7988		

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