



Report for:
DECISION

Item Number: 7

Contains Confidential or Exempt Information	No
Title	Statement of Accounts 2014/15
Responsible Officer(s)	Ian O'Donnell Executive Director of Corporate Resources Maria G Christofi Director of Finance
Author(s)	Ruairi Hughes Finance Manager – Financial Control Mick Bowden Interim Strategic Finance Partner - Corporate
Portfolio(s)	Councillor Johnson - Finance, Performance & Customer Services
For Consideration By	Audit Committee
Date to be considered	8 September 2015
Implementation Date if Not Called In	N/A
Affected Wards	All
Area Committees	All
Keywords/Index	Governance, Audit, Final accounts

Purpose of Report:

To present for approval by the Audit Committee the 2014/15 Statement of Accounts together with the external audit report on these accounts (ISA260) prepared by KPMG, which is proposing to issue an unqualified opinion for the Statement of Accounts 2014/15. The accounts provide details of the overall financial position in the Balance Sheet, details of the revenue activities for the General Fund, the Pension Fund, the Collection Fund, the Housing Revenue Account and the Annual Governance Statement (AGS). Formal approval of the Statement of Accounts is required in accordance with the Accounts and Audit Regulations 2011.

1. Recommendations:

It is recommended that Audit Committee considers matters raised in the attached report by KPMG that provides an unqualified opinion for the Statement of Accounts (including Pension Fund Accounts) for 2014/15 and:

- 1.1 Considers the report to those charged with governance (ISA 260) for the London Borough of Ealing issued by the Council's external auditors, KPMG and any findings and management responses by Officers (Appendix 1).
- 1.2 Approves the audited Statement of Accounts for 2014/15 for the London Borough of Ealing and London Borough of Ealing Pension Fund (Appendix 2) and authorises the signing thereof by the Chair of the Audit Committee at its meeting.
- 1.3 Approves the Annual Governance Statement for 2014/15 (contained within the main Statement of Accounts pack at the rear of Appendix 2).
- 1.4 Approves the letters of representation (Appendix 3) and for them to be signed by the Chair of the Committee and the Executive Director of Corporate Resources.

2. Reason for Decision and Options Considered

- 2.1. The arrangements for keeping and publishing the Council's accounts are set out in the Accounts and Audit Regulations 2011. Under these regulations the Executive Director of Corporate Resources is responsible for determining the Council's accounting system, form of accounts and supporting accounting records.
- 2.2. Under the Local Government and Housing Act 1989 the preparation of the accounts must follow proper practices, which includes preparing accounts in accordance with the Code of Practice on Local Authority Accounting in Great Britain.
- 2.3. The attached report (Appendix 1) summarise the findings from the audit of the 2014/15 Statement of Accounts and identifies any issues to be addressed in respect of the audit conclusion. The Audit Committee is required to approve the final Statement of Accounts and attached reports to conclude the audit process.

3. Accounts and Audit Regulations 2011

- 3.1. In accordance with the requirements of the regulations the Executive Director of Corporate Resources approved the draft Statement of Accounts on 9 June 2015. This was three weeks ahead of the statutory deadline.
- 3.2. KPMG, the Council's external auditor, has now audited the Statement of Accounts and its report to those charged with governance (ISA 260) will be presented to this Committee by the KPMG Director and Senior Manager.
- 3.3. The regulations require that :
 - The Audit Committee considers and approves the audited statement of accounts by 30 September 2015 and the accounts are signed by the committee chair (Ealing will have achieved this three weeks ahead of the statutory deadline).
 - The Council publishes the accounts by 30 September 2015.

- Audited bodies conduct a review at least once a year of the effectiveness of its system of internal control and publish an annual governance statement each year with the authority's financial statements.

4. The Statement of Accounts

- 4.1. The Council has continued to improve the timeliness of its accounts and closing processes and production of the accounts this year was three weeks ahead of schedule for 2014/15. The Statement of Accounts, as defined in the regulations and specified in the relevant sections of CIPFA's Accounting Code of Practice comprises:
 - An explanatory foreword
 - Statement of Responsibilities for the Statement of Accounts
 - The accounting statements
 - A statement of accounting policies
 - Notes to the accounts.
- 4.2. Members of the Audit Committee received the draft Statement of Accounts in advance of the Audit Committee meeting on 25 June 2015. The Council's final Statement of accounts is now attached for consideration and approval in Appendix 2.
- 4.3. The accounting arrangements of a large organisation such as Ealing Council are detailed and complex. Inevitably, as the Statement of Accounts is the statutory form of the accounts set out in a prescribed format, it contains technical language, so a glossary is included (at the very back of the Statement of Accounts) to help explain some of the terms.

5. Report to those charged with governance (ISA 260) 2014/15

- 5.1. KPMG, as our external auditors, are required to issue the ISA260 report to those charged with governance on the Council's financial statements to the Audit Committee.
- 5.2. KPMG propose to issue an :-
 - Unqualified audit opinion for the Council's Financial Statements 2014/15
 - Unqualified audit opinion for the Council's Pension Fund Financial Statements 2014/15
 - Unqualified Value for Money conclusion for Ealing Council 2014/15.
- 5.3. A summary of the key headlines is set out on page 3 of the ISA260 and in the various Appendices of the ISA260 report.
- 5.4. The External Auditors have identified three adjustments which are shown in Appendix 3, page 17.
- 5.5. Issues arising from regular audit work have been noted, discussed and resolved as stated in the reports to those charged with governance. The Auditor has made five recommendations arising from the Council's 2014/15 accounts and these are

detailed in Appendix 1, page 12, with management responses from the appropriate Council Officers.

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 based on International Financial Reporting Standards (IFRS).

6.2. This year following clarifications made in the CIPFA Code of Practice on Local Authority Accounting 2014/15, foundation schools have been consolidated into the balance sheet. These additions have a value of £67.9m as at 31 March 2015.

7. Annual Governance Statement

7.1. Members should note that the Chief Executive and Leader have signed the full 2014/15 Annual Governance Statement (AGS) document, which will be published with the Statement of Accounts.

7.2. A key role of the Committee is to oversee the Authority's control environment and its associated system of internal controls and assurance processes. The Committee must satisfy itself that the Authority's assurance statements, in particular the Annual Governance Statement, properly reflect the risk environment and any actions needed to improve it.

7.3. The AGS therefore sets out governance issues deemed significant and actions being taken to address the issues. The Council is required to exercise judgment in deciding whether or not a particular issue should be deemed significant. Factors which are used in exercising that judgment include:

- the issue seriously prejudiced or prevented achievement of a principal objective;
- the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- the external auditor regards it as having a material impact on the accounts;
- the audit committee, or equivalent, advises it should be considered significant for this purpose;
- the Head of Internal Audit reports on it as significant, for this purpose, in the annual opinion on the internal control environment; or
- the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.

7.4. The information provided in the Statement regarding significant governance issues may include a description of the weakness and its impact on the authority in order to improve disclosure and provide context for the actions taken. The Council is required to balance the utility to the reader of the statement against the need for discretion in such disclosure to avoid further adverse impacts or exploitation of the weakness.

8. Financial implications

8.1. The report to those charged with governance (ISA 260) deals with the findings of the External audit of the Accounts of the Council and the issues to be addressed. The

Council's financial position remains strong, however it faces increasing financial pressures for the foreseeable future. Further interpretation of the accounts highlighting key issues that Ealing is facing are contained within the Executive Director's explanatory foreword to the Statement of Accounts.

- 8.2. The Balance Sheet of the Council sets out the assets and liabilities at the end of the financial year. It is a guide to the financial health of the Council. The total assets less liabilities at 31 March 2015 are valued at £838m compared to £819m the previous year.
- 8.3. The Council's General Fund balance stands at £15.5m as at 31 March 2015 and the Council's earmarked reserves total £105.2m at 31 March 2015. The Council's Housing Revenue Account (HRA) balance is £4.9m as at 31 March 2015 and HRA earmarked reserves stand at £19.3m.
- 8.4. The Pension Fund's net assets increased from £867.4m to £967.5m, while its promised retirement benefits rose from an estimated £1,184m to £1,439m. The latter movement was due to a significant fall in corporate bond yields resulting in a lower discount rate (3.2% p.a. verses 4.4%p.a.).
- 8.5. The Scheme actuary re-values the Pension Fund every three years and the latest valuation at 31 March 2013 resulted in an increased funding position of 72% compared to 70% at 31 March 2010. It should be noted that the net liability does not represent an immediate call on Council reserves or balances and the latest valuation as at 31 March 2013 has been reflected in the General Fund budget from 2014/15 and the employers contributions based on recommendations from the actuary are in line with the level that had been anticipated and budgeted for in the Council's Medium Term Financial Strategy.

9. Legal

- 9.1. 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. KPMG were appointed by the Audit Commission to carry out this function for the financial year 2014/15.
- 9.2. The Accounts and Audit (England) Regulations 2011 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.
- 9.3. 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.

10. Value For Money

10.1. The external auditors have concluded (see page 11 of the report to those charged with governance (ISA 260) that the Council has met all the Value for Money criteria.

11. Risk Management

11.1. The audit of the Council's annual statement of accounts is carried out to minimise risks and ensure that statutory obligations are met. The audit also provides assurance that the accounts have been properly produced and are free from material error.

11.2. The preparation of the Annual Governance Statement has been explicitly linked to the risk management framework within the authority. One of the key principles of good governance is "taking informed, transparent decisions and managing risk". Strong governance should minimise officer distraction from key corporate objectives as a result of governance failure(s).

12. Community Safety

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

13. Links to Strategic Objectives

13.1 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.

14. Equalities and Community Cohesion

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

15. Staffing/Workforce and Accommodation implications:

15.1. There are no direct staffing / workforce and accommodation implications as part of this report.

16. Property and Assets

16.1. 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 Council 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.

17. Any other implications:

17.1. None

18. Consultation

18.1. An advertisement was placed in the Ealing Gazette on 3 July 2015 stating that the accounts were open for public inspection during a four week period from 20 July to 14 August 2015.

18.2. 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 2015 in accordance with the statutory deadline.

18.3. 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.

18.4. The preparation of the Annual Governance Statement is an important task and as such preparation and challenge has been provided through a multi-disciplinary team. The AGS Working Group is chaired by the Director of Finance and attended by the Director of Legal and Democratic Services, Assistant Director of Core HR & OD, Director of Policy and Performance and Head of Audit & Investigation. In preparing the AGS self-assessment, input has also been provided by the Director of Marketing & Communications. The draft AGS was also presented to the Audit Committee in June 2015.

19. Timetable for Implementation

Key Activities	2015
Publication of summary accounts in Around Ealing	Autumn edition
Audited Accounts approved by Audit Committee	8 Sept
Publication of accounts on the internet	Before 30 Sept

20. Appendices

- Appendix 1– London Borough of Ealing – Report to those charged with governance (ISA 260) 2014/15
- Appendix 2 – London Borough of Ealing – Statement of Accounts 2014/15 including the Annual Governance Statement
- Appendix 3 – Draft letter of representation

21. Background Information

- The information used in preparing the Statement of Accounts is prepared by the Finance service during the closing of the accounts process and papers are available in these sections.
- Report to Audit Committee on 25 June 2015.
- The CIPFA code of practice on local authority accounting in the United Kingdom 2014/15.
- The Annual Governance Statement: meeting the requirements of the Accounts and Audit Regulations – *Rough Guide for Practitioners* - CIPFA Finance Advisory Network.

Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Internal				
Ian O'Donnell	Executive Director of Finance & Resources	24/8/15	24/8/15	-
Mike Stringer	Head of Finance Transformation	24/8/15	24/8/15	Throughout
Helen Harris	Director of Legal & Democratic Services	25/8/15	27/8/15	-

Report History

Decision type:		Urgency item?	
For information and action		No	
Authorised by	Date report	Report deadline:	Date report sent:
Cabinet member:	drafted:		
Report no.: Report author and contact for queries:			
Mick Bowden Interim Strategic Finance Partner - Corporate 020 8825 6987			