



**Report for:  
DECISION**

**Item Number:10**

Contains Confidential or Exempt Information	<b>No</b>
<b>Title</b>	Audit Committee consideration of the Council's Draft Unaudited Annual Statement of Accounts.
<b>Responsible Officer(s)</b>	Ian O'Donnell Executive Director of Corporate Resources  Maria G Christofi Director of Finance
<b>Author(s)</b>	Mike Stringer – Head of Finance Transformation Tim Sylvester – Interim Strategic Business Partner – Corporate Ruairi Hughes – Finance Manager – Control
<b>Portfolio(s)</b>	Finance, Performance & Customer Services – Councillor Yvonne Johnson
<b>For Consideration By</b>	Audit Committee
<b>Date to be considered</b>	25 June 2015
<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 2015 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 2014/15 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 8 September 2015 for final approval once the external audit has been concluded.

## **1. Recommendations:**

- 1.1 It is recommended that Audit Committee note and comment on the draft unaudited Statement of Accounts for the year ended 31 March 2015.

## **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. 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 2015 and that these accounts must be certified by the external auditor and published by no later than 30 September 2015.
- 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.

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

- 3.1. The Council's external auditor; KPMG will again audit the accounts for the 2014/15 financial year. For 2014/15 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 8 September 2015 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 (IFRS) 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.
- 3.4. The overall Statement of Accounts comprises a number of key core financial statements and individual accounts. 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 2015 however for 2014/15 this was achieved by 9 June 2015, three weeks early. 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 2015.
- 4.2. The Executive Director of Corporate Resources has certified that the draft statement of accounts attached presents a true and fair view of the financial position of the council at the end of the financial year 2014 / 15 and of the council's income and expenditure for that year.
- 4.3. 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 8 September 2015. KPMG received a copy of the accounts on 10 June.
- 4.4. Following the conclusion of the audit the Council must then publish the Statement of Accounts by 30 September 2015.

#### **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.
- 5.2. The AGS forms part of the draft Statement of Accounts and is also being reported separately to this meeting of the Audit Committee.

#### **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). This year there have been no material changes to the format and presentation of the accounts. However, following clarification on the treatment of schools, Foundation schools have been consolidated into Ealing's balance sheet.

## **7. The Whole of Government Accounts**

- 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. In accordance with regulation issued by the H.M. Treasury Councils are required to submit their Whole of Government Accounts by 30 June 2015 to the Treasury and also to their respective auditors, in our case to KPMG.
- 7.2. 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.

## **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 relative to many local authorities. However, the Council 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 Council's General Fund balance stands at £15.463m and the Council's earmarked reserves total £105.2m at 31 March 2015. The Council's Housing Revenue Account (HRA) achieved a very small surplus in 2014/15 and HRA earmarked balances stand at £19.294m.

## **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. The Audit Commission has appointed KPMG 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 will provide a Value for Money opinion in their ISA 260 report to those charged with governance once the audit is complete.

## **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.

## **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 the Council's 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 will be placed in the Ealing Gazette stating that the accounts will be open for public inspection during for a four week period.

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.

## 19. Appendices

- Appendix 1 – London Borough of Ealing – Statement of Accounts 2014/15 including the Annual Governance Statement.

## 20. Background Information

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

20.2. The CIPFA code of practice on local authority accounting in the United Kingdom 2014/15.

### 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 Corporate Resources			Throughout
Maria Christofi	Director of Finance	01.06.15		Throughout
Mike Stringer	Head of Transformation	01.06.15		Throughout

Steve Tinkler	Head of Audit and Investigations	01.06.15	Throughout
Helen Harris	Director of Legal & Democratic Services	01.06.15	Throughout
Cllr Yvonne Johnson	Portfolio Holder Finance, Performance & Customer Services		

### **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:
Report no.: Report author and contact for queries:  Mike Stringer Head of Finance Transformation 020 8825 7774			