



Report for:
DECISION

Item Number:

Contains Confidential or Exempt Information	No
Title	Statement of Accounts 2017/18
Responsible Officer(s)	Ian O'Donnell, Executive Director of Corporate Resources Ross Brown, Director of Finance
Author(s)	Pat Main, Head of Corporate Finance
Portfolio(s)	Councillor Bassam Mahfouz - Finance and Leisure
For Consideration By	Audit Committee
Date to be considered	25 July 2018
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 the 2017/18 Statement of Accounts for approval by Audit Committee together with KPMG's external auditor report (ISA260) which confirms their unqualified audit opinion.

The Statement of Accounts confirms the Council's financial position in 2017/18, including 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 a requirement of the Accounts and Audit Regulations 2015.

1. Recommendations:

Audit Committee is asked to:

- 1.1 Consider KPMG's report to those charged with governance (ISA260) at Appendix 1 which confirms their unqualified opinion for the Statement of Accounts (including Pension Fund Accounts) for 2017/18;
- 1.2 Approve the audited Statement of Accounts for 2017/18 for the London Borough of Ealing and for the London Borough of Ealing Pension Fund (Appendix 2) and authorise their signing by the Chair of Audit Committee at this meeting;
- 1.3 Approve the Annual Governance Statement for 2017/18 (contained within the main Statement of Accounts at Appendix 2);
- 1.4 Approve the Letter of Representation (Appendix 3) and its signature by the Chair of Audit Committee and the Executive Director of Corporate Resources.

2. Reason for Decision and Options Considered

- 2.1. Under the Local Government and Housing Act 1989 preparation of the Council's accounts must follow proper practices, which includes compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting.
- 2.2. The arrangements for preparing and publishing the Council's accounts are set out in the Accounts and Audit Regulations 2015. Under these regulations the Executive Director of Corporate Resources is responsible for determining the Council's accounting systems, form of accounts and supporting accounting records.
- 2.3. The attached IS260 report (at Appendix 1) summarises KPMG's findings from the audit of the 2017/18 Statement of Accounts and confirms any issues to be addressed.
- 2.4. Audit Committee is required to approve the audited Statement of Accounts (at Appendix 2) to conclude the audit process.

3. Accounts and Audit Regulations 2015

- 3.1 From 2017/18 onwards the Accounts and Audit Regulations require the draft Statement of Accounts to be produced by 31 May and audited, approved by committee and published by 31 July.
- 3.2 The Executive Director of Corporate Resources approved the draft Statement of Accounts on 31 May 2018. This was in line with the new statutory deadline.

3.3 KPMG have now completed their audit of the Statement of Accounts in line with the 31 July deadline. Their report to those charged with governance (ISA260) is attached at Appendix 1 and will be presented to this meeting.

4. Statement of Accounts 2017/18

4.1 The Council's Statement of Accounts 2017/18 is attached at Appendix 2 for consideration and approval.

4.2 The format and content is defined in regulations and specified in the relevant sections of the CIPFA/LASAAC Code of Practice, and comprises:

- Narrative Statement
- Statement of Responsibilities for the Statement of Accounts
- Expenditure and Funding Analysis
- Core Financial statements
- Notes to the Core Financial Statements
- Supplementary Statements - Housing Revenue Account (HRA), Collection Fund
- Pension Fund Accounts
- Annual Governance Statement

A Glossary of Terms is also included. Training was provided to Audit Committee on 30 May 2018 in preparation for the Committee's consideration of the accounts at this meeting.

5. Report to Those Charged With Governance (ISA260) 2017/18

5.1 The draft ISA260 report for 2017/18 is attached at Appendix 1. It confirms that there are no significant issues arising from the audit.

5.2 KPMG propose to issue:

- An unqualified audit opinion for the Council's Financial Statements 2017/18. This has been added to the Statement of Accounts at Appendix 2;
- An unqualified audit opinion for the Pension Fund Financial Statements 2017/18;
- An unqualified Value for Money conclusion for Ealing Council 2017/18.

5.3 A summary of the key headlines is set out in section one of the ISA260 and in the various appendices.

- 5.4 KPMG have raised one recommendation, relating to the authority's financial resilience. The recommendation is set out at Appendix 1 to the ISA260 (Recommendations raised and followed up) along with the Council's response.
- 5.5 KPMG have also followed up the four prior year recommendations. These are also detailed in Appendix 1 to the ISA260 report.

6. Annual Governance Statement

- 6.1 The Chief Executive and Leader have now signed the final 2017/18 Annual Governance Statement (AGS) which will be published with the audited Statement of Accounts. There are minor changes (to reflect feedback received) from the draft document that was presented to Audit Committee on 30 May 2018.
- 6.2 A key role of Audit Committee is to oversee the Authority's control environment and the associated system of internal controls and assurance processes. Audit Committee must satisfy itself that the Authority's assurance statements, in particular the AGS, properly reflect the risk environment and any actions needed to improve it.
- 6.3 The AGS therefore sets out the governance issues that are deemed significant and the actions that are being taken to address them. 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:
- Whether the issue seriously prejudiced or prevented achievement of a principal objective;
 - Whether the issue has resulted in a requirement to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
 - Whether the external auditor regards it as having a material impact on the accounts;
 - Whether the Audit Committee, or equivalent, advises it should be considered significant for this purpose;
 - Whether the Head of Internal Audit reports on it as significant, for this purpose, in the annual opinion on the internal control environment; or
 - Whether the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
- 6.4 The information provided in the AGS regarding significant governance issues may include a description of the weakness and its impact on the Council in order to improve disclosure and provide context for the actions taken. The Council is required to balance utility to the reader of the AGS against the need for discretion in such disclosure to avoid further adverse impacts or exploitation of the weakness.

7. Letter of Representation 2017/18

- 7.1 Attached at Appendix 3 is a copy of the Council's Letter of Representation to KPMG for the year ended 31 March 2017, to be signed by the Audit Committee Chair and Director of Corporate Resources.
- 7.2 The purpose of the Letter is to express an opinion:
- Whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
 - Whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
 - Whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority.

8. Financial implications

- 8.1 KPMG's report to those charged with governance (ISA260) presents the findings of the external audit of the Statement of Accounts and any issues to be addressed. The Council's financial position remains stable, however it continues to face increasing financial pressures. Further information, highlighting key financial risks that the Council is facing, are contained within the Executive Director's Narrative Statement which provides an Executive Summary to the Statement of Accounts.
- 8.2 The Balance Sheet sets out the assets and liabilities at the end of the 2017/18 financial year and is a guide to the financial health of the Council. The total assets less liabilities at 31 March 2017 are valued at £843m compared to £763m in 2016/17.
- 8.3 The Council's General Fund balance stands at £15.5m as at 31 March 2018 (compared to £15.5m at 31 March 2017) and the Council's earmarked reserves total £82.7m at 31 March 2018 (compared to £100.5m at 31 March 2017).
- 8.4 The Council's Housing Revenue Account (HRA) balance is £4.9m as at 31 March 2018 (no change from £4.9m at 31 March 2017) and HRA earmarked reserves stand at £5.0m at 31 March 2018 (compared to £11.8m at 31 March 2017).

- 8.5 The Pension Fund's net assets increased from £1,146.5m to £1,203.0m, while promised retirement benefits decreased from an estimated £1,788.0m to £1,784.0m.

9. Legal

- 9.1 The Statement of Accounts are to be audited in accordance with the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014. KPMG are the auditors appointed to carry out this function for the financial year 2017/18 in accordance with the Act and Regulations.

- 9.2 The Accounts and Audit (England) Regulations 2015 refer 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 in their report to those charged with governance (ISA260) that the Council has met 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 Council. 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 Accounts provides valuable information to the residents of the Council and to its suppliers. The audited Statement of Accounts will be published on the internet by 31 July 2018.

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 Council assets are subject to revaluation at least once every 5 years. The Council values its assets on a rolling programme, with approximately 20% of 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 on the Council's website on 31 May 2018 stating that the accounts were open for public inspection during a 30-working day period from 1 June to 14 July 2018.

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 31 July 2018 in accordance with the statutory deadline.

18.3 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. The draft AGS was presented to Audit Committee on 30 May 2017.

19. Timetable for Implementation

Key Activities	2018
Draft AGS presented to Audit Committee	30 May
Audited Statement of Accounts approved by Audit Committee	25 July
Publication of audited Statement of Accounts on the Council's website	By 31 July

20. Appendices

- Appendix 1 – London Borough of Ealing – Report to those charged with governance (ISA260) 2017/18
- Appendix 2 – London Borough of Ealing – Statement of Accounts 2017/18 including the Annual Governance Statement
- Appendix 3 – Letter of Representation

21. Background Information

21.1 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.

- The CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

- 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 Corporate Resources	16.7.18		-
Ross Brown	Director of Finance	16.7.18		
Helen Harris	Director of Legal & Democratic Services	16.7.18		-

Report History

Decision type:		Urgency item?	
For information and action			
Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Report no.:	Report author and contact for queries:		
	Pat Main Head of Corporate Finance 020 8825 9727		