

Committee: General Purposes

Date: 17 September 2014

Agenda item:

Wards: All

Subject: Audited Final Accounts 2013/14

Lead officer: Caroline Holland, Director of Corporate Services

Lead Member: Cllr Mark Allison – Cabinet Member for Finance

Contact officer: Paul Dale: AD Resources 0208-545-3458

Key decision reference number: This report is written and any decisions taken are within the Budget and Policy Framework Procedure Rules as laid out in Part 4-C of the Constitution.

Recommendations:

1. That General Purposes Committee approve the audited Statement of Accounts, including the Pension Fund Accounts.
 2. That General Purposes Committee note any comments made by the Pensions Fund Advisory Panel in relation to the Annual Pension Fund Accounts 2013/14.
 3. To note Ernst & Young's Audit Results Report for the Council's Pension Fund accounts under the International Standard on Auditing 260 (ISA 260).
 4. To note Ernst & Young's Audit Results Report for the Council's main accounts under the ISA 260.
 5. That the Chair signs the Statement of Responsibilities (Appendix 1, page 148) for the Council's main accounts.
 6. That the Chair signs the Letter of Representation (Appendix 4) for the Council's 2013/14 main accounts.
 7. That the Chair signs the Letter of Representation (Appendix 5) for the Council's 2013/14 Pension Fund accounts.
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1. Purpose of report and executive summary

- 1.1 This report presents the audited Statement of Accounts for the year ended 31st March 2014 for adoption by the General Purposes Committee in accordance with the statutory requirements contained in the Accounts and Audit Regulations 2011 and the ISA 260.

1.2 The Council's 2013/14 Statement of Accounts, including the Pension Fund accounts, have been audited and are attached as Appendix 1 to this report. A summary of the Statement of Accounts is also attached as Appendix 2. A list of material changes made to the accounts arising from the audit is detailed in Appendix 3. Appendices 4 and 5 contain Ernst & Young's Audit Results Reports on the main accounts and Pension Fund respectively, including two Letters of Representation, one for the main accounts and one for the Pension Fund. Appendix 6 contains the revenue elements of the Whole of Government Accounts (WGA) return.

2. Details

2.1 **Accounting Code of Practice:** Section 21(2) of the Local Government Act 2003 requires local authorities in the United Kingdom to keep their accounts in accordance with "proper practices". This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom, prepared by the CIPFA/LASAAC Joint Committee. The Code specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of a local authority. In particular, it prescribes the accounting treatment and disclosures for all normal transactions of a local authority.

2.2 The Code involves adaptations of International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board (IASB) subject to such adaptations as are necessary for the local government.

2.3 **Accounts and Audit Regulations:** These specify the timetable for producing the Council's accounts which is as follows:

- a) That the Council's accounts must be ready for audit by no later than 30th June 2014 and in particular that the responsible financial officer must sign and date the accounts and certify that it presents a true and fair view of the financial position of the body at the year end and of that body's income and expenditure for that year (Regulation 8(2)). There is no requirement for approval by committee at this stage.
- b) That the committee of members must approve the statement of accounts by the 30th September 2014; thereafter the accounts must be signed and dated by the chairman of that committee and published (which must include publication on the Council's website). (Regulation 8(3) and 8(4)).

2.4 In addition, if there are any amendments to the accounts, the Chief Financial Officer must re-certify the presentation of the statement of accounts. CIPFA has made recommendations concerning re-certification: the Chief Financial Officer should sign and date the balance sheet (in line with SORP requirements) and include the following statement on the face of the balance sheet: "these financial statements replace the unaudited financial statements authorised at the meeting of the General Purposes Committee on 26th June 2014".

- 2.5 **Audit of the Council's accounts:** (a) Completion of audit work and approval of accounts: Ernst & Young have completed their audit work on the Council's accounts. The results of the audit are that the accounts are unqualified, that is, the financial statements give a true and fair view in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.
- 2.6 (b) Errors: There are, however, some errors which have changed certain figures in the draft accounts submitted to the Council in June but these are not considered to be material and significant. Most changes affect disclosure notes and there is one change which affects the cores statements which is included in Appendix 3. The changes have no effect on the level of reserves that was reported in June. Subject to Members being satisfied with the audited accounts, Members are requested to recommend that the Council approve the audited accounts 2013/14.
- 2.7 (c) Audit Results Reports: Ernst & Young has issued its Audit Results Reports (ARRs), under the ISA 260. The auditors are required to comply with the Auditing Standards contained under ISA 260, which covers 'Communications of Audit Matters with those charged with governance'. The auditor is required to report relevant matters relating to the audit to those charged with governance. There is one ARR for the main accounts and one for the Pension Fund accounts.
- 2.8 (d) Letters of Representation: International Standard on Auditing 580 (ISA 580), covering Management Representation, requires that the auditor be provided with written representation from management with appropriate responsibilities and knowledge of the financial statements. This applies to the main accounts and the Pension Fund Accounts.
- 2.9 ISA 260 requires that those charged with governance should sign agreement to the Letter of Representation. After the Committee has discussed and agreed the Letter of Representation, it has to be signed by the Chief Financial Officer. The Chair of the Committee is then required to sign agreement to the Letter of Representation. Copies of the letters to be signed for the main accounts and the Pension Fund accounts are included in Appendices 4 & 5.
- 2.10 **Financial Summary:** Arising from the audit, there has been one correction of error in the Council's core financial statements. Appendix 3 details the correction, which is concerned solely with the presentation of figures in the accounts and has no effect on the level of reserves.
- 2.11 Fund Balances and Reserves: Table 1 contains a breakdown of revenue balances and reserves, which when the Collection Fund balance is included, stand at £84.634m, and shows no changes from the draft accounts.

Table 1: Reserves

	1	2	3
	2012/13	2013/14	2013/14
		Draft	Audited
	£000	£000	£000

1. Usable Reserves			
General Fund Balance	18,838	18,838	18,838
General Fund-Schools	11,674	12,090	12,090
Earmarked revenue grants and contributions	4,597	5,398	5,398
Earmarked reserves- excluding schools	36,498	37,527	37,527
Earmarked reserves- schools	7,205	6,967	6,967
Revenue reserves and balances	78,812	80,820	80,820
Unapplied capital receipts	22,752	26,058	26,058
Unapplied capital grants	4,393	8,176	8,176
Other usable reserves	27,145	34,234	34,234
Total Usable Reserves	105,957	115,054	115,054
2. Unusable Reserves			
Collection Fund	4,986	3,814	3,814
Other unusable reserves	42,870	15,314	15,314
Total Unusable Reserves	47,856	19,128	19,128
Total Reserves	153,813	134,182	134,182

- 2.12 Outturn Table 2 shows the final outturn for the year. The departmental figures are those reported to the General Purposes Committee on the 26th June 2014.

Table 2: 2013/14 Outturn and Budget Variances (following audit)

	2013/14 Current Budget £000	2013/14 Outturn £000	2013/14 Variance £000
Department			
Corporate Services	29,195	28,463	(732)
Children's, Schools & Families	47,117	47,673	556
Community & Housing	58,326	57,204	(1,122)
Environment & Regeneration	22,739	22,163	(576)
Recharges	(1,976)	(1,921)	55
Net Service Expenditure	155,402	153,582	(1,820)
Corporate Provisions	8,858	9,236	378
Transfer to earmarked reserves	0	2,051	2,051
Funding	(164,260)	(164,869)	(609)
Net Underspend (addition to General Fund balances)	0	0	0

3. Alternative options

- 3.1 None for the purposes of this report.

4. Consultation undertaken or proposed

Under the Audit Commission Act 1988, Sections 15 and 16, the Council is required to make available to any person, copies of the Council's accounts and information relating to them for inspection to any interested person. By prior appointment, interested persons were also able to question the auditor about the accounts from Tuesday 29th July. Copies of the Council's 2013/14 accounts were made available for inspection from 1st July. Advertisements were placed on the Council's website in June and in the Wimbledon Guardian on Thursday 12th June and Thursday 26th June to make this fact known to the public or any other person interested in making such an inspection. No electors from the borough came on the dates of inspection to question the external auditors about the accounts.

5. CHAS 2013 Ltd Audit

5.1 The Council's wholly owned subsidiary, CHAS 2013 Ltd, will be audited by Ernst & Young during September. The audit of CHAS 2013 Ltd's accounts is not expected to have any material impact on the Council's accounts

6. Timetable

6.1 The Statement of Accounts has been audited within statutory requirements.

7. Finance, resource and property implications

7.1 These are contained in the body of the report.

8. Legal and statutory implications

8.1 These are contained within the report, Members are referred to the Council's Constitution, and in particular the Financial Regulations, which are set out in Part 4f.

9. Human rights, equalities and community cohesion implications

9.1 None for the purposes of this report.

10. Crime and disorder implications

10.1 None for the purposes of this report.

11. Risk management and health and safety implications

11.1 None for the purposes of this report.

12. Appendices

12.1 The following documents are to be published with this report and form part of the report

- Appendix 1: Statement of Accounts for the year ended 31st March 2014
- Appendix 2: Summary Accounts for the year ended 31st March 2014
- Appendix 3: Adjustments to the accounts following audit

- Appendix 4: Ernst & Young Audit Results Report and Letter of Representation - main accounts
- Appendix 5: Ernst & Young Audit Results Report and Letter of Representation - Pension Fund Accounts
- Appendix 6: Whole of Government Accounts 2013/14

13. Background Papers

13.1 The papers used to compile this report are held within the Corporate Services Department. Specifically, they include:-

- Statement of Accounts 2013/14
- Working papers for the accounting entries
- Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- CIPFA- technical bulletins