

## **Committee: General Purposes**

**Date: 16 September 2015**

Agenda item:

Wards: All

Subject: Audited Final Accounts 2014/15

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.

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### **Recommendations:**

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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 Pension Fund Accounts.
  3. To note Ernst & Young's Draft Audit Results Report for the Council's Pension Fund accounts under the International Standard on Auditing (ISA) 260.
  4. To note Ernst & Young's Final Audit Results Report for the Council's Statement of Accounts under the ISA 260.
  5. That the Chair signs the Statement of Responsibilities in the Council's Statement of Accounts (Appendix 2, page 148).
  6. That the Chair signs the Letter of Representation (Appendix 3) for the Council's 2014/15 Statement of Accounts.
  7. That the Chair signs the Letter of Representation (Appendix 4) for the Council's 2014/15 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 31<sup>st</sup> March 2015 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 2014/15 Statement of Accounts, including the Pension Fund accounts, have been audited and are attached as Appendix 2 to this report. A summary of the Statement of Accounts is attached as Appendix 1. Appendices 3 and 4 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 5 contains the Council's revenue account, extracted from its Whole of Government Accounts (WGA) submission. Appendix 6 presents the 2014/15 on-street car parking account.

## 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 30<sup>th</sup> June 2015 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 30<sup>th</sup> September 2015. The accounts must be signed and dated by the chairman of that committee and then 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 25<sup>th</sup> June 2015".

- 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: The audit identified a number of errors within disclosure notes and one reclassification within the Cash Flow core statement. The errors are considered minor in nature and all have been corrected. The corrections have no effect on the level of reserves reported to Members in June. Subject to Members being satisfied with the audited accounts, Members are requested to recommend that the Council approve the audited accounts.
- 2.7 (c) Audit Results Reports: Ernst & Young has issued its Audit Results Reports (ARRs), under 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. The Pension Fund ARR is subject to final review by the EY Partner. Should any changes arise to the Pension Fund ARR, these will be disclosed to Members at the Committee meeting.
- 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 3 & 4.
- 2.10 **Financial Summary:** The audit has identified only one error in the core statements, a presentation error in the Cash Flow statement. This has been corrected. The correction has no effect on the previously-reported 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 £70.429m. There is no change from the draft accounts.

**Table 1: Reserves**

Reserves	1 2013/14 Audited Accounts £000	2 2014/15 Audited Accounts (unchanged from draft accounts) £000
<b>1. Usable Reserves</b>		
General Fund Balance	18,838	15,152
General Fund-Schools	12,090	8,534
Earmarked revenue grants and contributions	5,398	3,335
Earmarked reserves- excluding schools	37,527	32,151
Earmarked reserves- schools	6,967	8,403
<b>Revenue reserves and balances</b>	<b>80,820</b>	<b>67,575</b>
Unapplied capital receipts	26,058	31,264
Unapplied capital grants	8,176	5,715
<b>Other usable reserves</b>	<b>34,234</b>	<b>36,979</b>
<b>Total Usable Reserves</b>	<b>115,054</b>	<b>104,554</b>
<b>2. Unusable Reserves</b>		
Collection Fund	3,814	2,854
Other unusable reserves	15,314	(56,390)
<b>Total Unusable Reserves</b>	<b>19,128</b>	<b>(53,536)</b>
<b>Total Reserves</b>	<b>134,182</b>	<b>51,018</b>

2.12 The main reason for the £71.7m reduction in other unusable reserves is a £69.5m increase in the pension liability, which itself resulted from a change in the assumptions used by the Council's actuary to calculate the liability. The Council has a long-term plan to reduce the deficit between the Pension Fund's assets and liabilities.

2.13 Outturn Table 2 shows the final outturn for the year. The departmental figures are those reported to the General Purposes Committee on the 25<sup>th</sup> June 2015.

**Table 2: 2014/15 Outturn and Budget Variances (following audit)**

Cabinet Outturn Report	2014/15	2014/15	2014/15
	Current Budget	Outturn	Variance
	£000	£000	£000
<b>Department</b>			
Corporate Services	29,400	29,128	(272)
Children, Schools & Families	44,755	47,203	2,448
Community & Housing	57,632	60,379	2,747
Public Health	255	255	0
Environment & Regeneration	20,526	21,825	1,299
Recharges	(599)	(373)	226
<b>Net Service Expenditure</b>	<b>151,969</b>	<b>158,417</b>	<b>6,448</b>
Corporate Provisions	17,037	14,824	(2,213)
Transfers to Earmarked Reserves	(6,461)	(6,860)	(399)
<b>Total General Fund</b>	<b>162,545</b>	<b>166,381</b>	<b>3,836</b>
Grants	(49,710)	(49,864)	(154)
Business Rates	(33,253)	(33,253)	0
Council Tax and Collection Fund	(79,578)	(79,578)	0
<b>Funding</b>	<b>(162,541)</b>	<b>(162,695)</b>	<b>(154)</b>
<b>Net Overspend (charged against General Fund balance)</b>	<b>4</b>	<b>3,686</b>	<b>3,682</b>

**3. Alternative options**

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 Thursday 30<sup>th</sup> July. Copies of the Council's 2014/15 accounts were made available for inspection from 2<sup>nd</sup> July. Advertisements were placed on the Council's website in June and in the Wimbledon Guardian on Thursday 18<sup>th</sup> June and Thursday 25<sup>th</sup> 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. Whole of Government Accounts (WGA)**

5.1 The Whole of Government Accounts (WGA) process consolidates the audited accounts of around 4,000 organisations across the public sector in order to produce a comprehensive picture of the financial position of the UK public sector. WGA is based on International Financial Reporting Standards (IFRS) and is independently audited.

5.2 As an organisation within the WGA boundary, the Council is required each year to complete a WGA return in order that HM Treasury can produce the consolidated WGA accounts.

5.3 As part of Ernst and Young's audit work on the Council's accounts, an assurance statement, in respect of the WGA return, is provided to the National Audit Office and presented to this Committee within EY's Audit Results Report (Appendix 3).

5.4 The Council's revenue account, extracted from the WGA return, is attached as Appendix 5.

## **6. CHAS 2013 Ltd Audit**

6.1 The Council's wholly owned subsidiary, CHAS2013 Ltd, will be audited by Ernst & Young during September. The audit of CHAS2013 Ltd's accounts is not expected to have any material impact on the Council's accounts

## **7. Timetable**

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

## **8. Finance, resource and property implications**

8.1 These are contained in the body of the report.

## **9. Legal and statutory implications**

9.1 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.

## **10. Human rights, equalities and community cohesion implications**

10.1 None for the purposes of this report.

## **11. Crime and disorder implications**

11.1 None for the purposes of this report.

## **12. Risk management and health and safety implications**

12.1 None for the purposes of this report.

### **13. Appendices**

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

- Appendix 1: Summary Accounts for the year ended 31<sup>st</sup> March 2015
- Appendix 2: Statement of Accounts for the year ended 31<sup>st</sup> March 2015
- Appendix 3: Ernst & Young Audit Final Results Report and Letter of Representation – Statement of Accounts
- Appendix 4: Ernst & Young Draft Audit Results Report and Letter of Representation - Pension Fund Accounts
- Appendix 5: Whole of Government Accounts 2014/15
- Appendix 6: On-Street Parking Account 2014/15

### **14. Background Papers**

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

- Statement of Accounts 2014/15
- Working papers for the accounting entries
- Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- CIPFA- technical bulletins

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