

AUDIT PANEL		
Report Title	DRAFT PRE-AUDIT STATEMENT OF ACCOUNTS 2014/15	
Key Decision	No	Item No.
Ward	ALL	
Contributors	EXECUTIVE DIRECTOR FOR RESOURCES AND REGENERATION	
Class	PART 1	Date: 18 JUNE 2015

1 SUMMARY AND PURPOSE

- 1.1 To review and comment on the pre-audit Statement of Accounts and Pension Fund Accounts for 2014/15 and the Annual Governance Statement.

2 EXECUTIVE SUMMARY

- 2.1 The Council is not required by law to obtain elected Members' approval of its pre-audit accounts. However, given the importance of the document, and its complexity, officers are of the view that it is appropriate to present them to the Audit Panel.
- 2.2 Accordingly, the pre-audit Statement of Accounts for 2014/15 is attached as Appendix 1 to this report. The 2014/15 pre-audit accounts of the Pension Fund are attached as Appendix 2 and the draft Annual Governance Statement (AGS) and are attached as Appendix 3.
- 2.3 The summary of net expenditure against budgets for 2014/15 was reported to Mayor & Cabinet on 3 June 2015.

3 RECOMMENDATIONS

- 3.1 To note the report and appendices.

4 UNDERSTANDING THE ACCOUNTS AND THEIR PREPARATION

- 4.1 Officers have prepared the draft pre-audit accounts so as to be able to despatch them to this Panel by 9 June 2015 for their information. The final pre-audit accounts will be completed in advance of the 30 June 2015 deadline and submitted to the external auditors, Grant Thornton. The pre-audit Pension Fund accounts will be presented to the Pensions Investment Committee on 11 June 2015, and subsequently submitted to Grant Thornton by 30 June 2015.
- 4.2 Within the Statement of Accounts there are four statements which are defined as "core financial statements", which essentially means that they are fundamental to understanding the accounts. A short commentary on each of these is set out below.

Movement in Reserves Statement (MiRS)

- 4.3 This shows the movement in the year in the different reserves held by the Council, analysed into 'usable' which can be used to fund expenditure and 'unusable' which are technical and cannot be used to fund expenditure. This summarises the available resources that can be used to fund future expenditure and to manage financial risks.

Comprehensive Income and Expenditure Statement (CIES)

- 4.4 The CIES sets out the total expenditure by the authority in the 2014/15 financial year, some £1.3bn. The format of the CIES is completely different to the council's management accounts, which present income and expenditure by Directorate. However, a reconciliation between the two is provided by note 21 to the core financial statements, segmental reporting, which discloses net expenditure by directorate in a form that Members will be familiar with from the Outturn report.

Balance Sheet

- 4.5 The balance sheet reports the 'total equity' of the council, and shows that it is similar to that of last year, around £1.05bn as at 31 March 2015 compared with some £0.97bn as at March 2014.

Cash Flow Statement

- 4.6 The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the 2014/15 financial year. This statement is more valuable to understanding the financial health of private companies rather than local authorities, since most local authority funding comes either from government grants or from local property taxation.

Other Statements

- 4.7 Members' attention is also drawn to the following financial statements, which although not technically defined as "core financial statements" are very important to understanding key aspects of local authority services and financing.
- The Housing Revenue Account (HRA) which presents the financial transactions relating to the provision of council housing; and
 - The Collection Fund which presents a summary of the collection of Council Tax and National Non Domestic Rates.
- 4.8 The accounts also provide substantial detail by way of notes and other statements. In particular, Members may find the following helpful to their understanding the financial position of the authority:
- Notes 13 and 15 to the core financial statements, which disclose the debtors to and creditors of the council as at 31 March 2015

- Note 8 to the core financial statements, which discloses the level of earmarked revenue reserves and the purposes for which these are held.

4.9 The format of the accounts is essentially prescribed. As a result the document is long and detailed. Members may have questions that they wish to pose to officers on points of detail. Appropriately qualified officers will attend the meeting and make their best endeavours to answer these. However, given the level of detail contained in the accounts it is possible that some questions of detail may not be capable of being answered at the meeting. If Members have such questions they are asked to submit them to Richard.lambeth@lewisham.gov.uk , ideally at least 24 hours before the meeting.

5 ISSUES FOR THE ATTENTION OF MEMBERS

5.1 In constructing the accounts officers have applied professional judgements in a number of areas. Some of these areas are where the appropriate treatment is subject to professional debate, and it is possible that the auditors may, during the course of their audit work, come to a different view, and as a result may recommend a different treatment.

5.2 Where future funding is uncertain, consideration needs to be given to ‘impairing’ (i.e. reducing) the value of assets that might be affected, for example if services are forced to close as a result. Although future government funding is less certain than it has been in previous years officers are of the view that there is sufficient certainty as regards funding in 2015/16 and subsequent years that such impairments are unnecessary.

5.3 Other areas where officers have been required to make judgements about possible future events include issues such as judging the amounts of the debts due to it that may ultimately not be paid and more technical issues such as the actuarial assumptions to apply to value future pension liabilities.

5.4 Last year it was concluded that full consolidated Group Accounts for the Council were not required on the grounds of materiality. This approach has again been taken for 2014/15. The Council’s group interests are disclosed by means of the note on “Interests in Companies” (note 24).

6 FINANCIAL IMPLICATIONS

7.1 The accounts are a financial document, and present a picture of the council’s activities in 2014/15 and its assets and liabilities as at 31 March 2015. However, there are no financial implications directly arising from the Panel considering the pre-audit accounts.

7 LEGAL IMPLICATIONS

7.1 Regulation 8(2) of the Accounts and Audit Regulations 2011 (the Regulations) means that local authorities are no longer required to obtain elected Members’ approval of their pre-audit accounts. Regulation 8(3)(b) does require local authorities to have elected Members, by way either of a duly constituted

committee or by the Full Council, to approve the final audited accounts, having considered the auditor's report thereon.

- 7.2 The Regulations do require that the draft accounts are approved for issue by 30 June following the year end by the Responsible Finance Officer under s151 of the 1972 Act. In Lewisham, that officer is the Executive Director for Resources and Regeneration.

8 OTHER IMPLICATIONS

- 8.1 There are no direct equalities, environmental or crime and disorder implications arising from this report.

APPENDICES

Appendix 1 – Pre-Audit Statement of Accounts 2014/15

Appendix 2 – Pre-Audit Pension Fund Accounts 2014/15

Appendix 3 – Annual Governance Statement (AGS) 2014/15

BACKGROUND PAPERS

Outturn report 2014/15 (M&C 3 June 2015)

For further information on this report please contact:

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