



London Borough of Hammersmith & Fulham

AUDIT, PENSIONS AND STANDARDS COMMITTEE

16th September 2014

LONDON BOROUGH OF HAMMERSMITH AND FULHAM STATEMENT OF ACCOUNTS, INCLUDING PENSION FUND FOR 2013/14

Report of the Executive Director of Finance and Corporate Governance

Open Report

Classification - For Information

Key Decision: No

Wards Affected: All

Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance

Report Author: Christopher Harris, Head of Corporate Accountancy and Capital

Contact Details:

Tel: 020 (8753 6440)

E-mail:

(christopher.harris@lbhf.gov.uk)

1. EXECUTIVE SUMMARY

- 1.1. This report presents the London Borough of Hammersmith and Fulham's Statement of Accounts, including the Pension Fund, for 2013/14 and the external auditor's (KPMG) opinion on the accounts.
- 1.2. The report also highlights the headline information from the Statement of Accounts and the auditor's final report.

2. RECOMMENDATIONS

- 2.1. To note the content of the auditor's 'Report to those Charged with Governance (ISA260)' stating that the accounts will receive an unqualified opinion, the Council has an adequate internal control environment and has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
- 2.2. To note the auditor's findings, recommendations and the Council's response to those recommendations as set-out in the Report to those Charged with Governance (ISA260).

- 2.3. To approve the management representation letter (as included at appendix 3).
- 2.4. To approve the Statement of Accounts for 2013/14 (as included at appendix 1).

3. REASONS FOR DECISION

- 3.1. The Audit, Pensions and Standards Committee are required to approve the Council's audited year-end Statement of Accounts before the end of September in accordance with the Accounts and Audit Regulations 2011.

4. INTRODUCTION AND BACKGROUND

4.1. INTRODUCTION

- 4.1.1. KPMG's Report to those Charged with Governance (ISA260) for Hammersmith and Fulham 2013/14 is attached to this report (Appendix 2). It sets out KPMG's findings from this year's audit relating to two main areas:

- Financial Statements
- Value for Money

- 4.1.2. This report gives a brief overview of the key points arising from the Statement of Accounts and summarises the issues included in the ISA260. Attached as Appendix 1 is the Statement of Accounts for approval by the Audit, Pensions and Standards Committee.

- 4.1.3. Included within the ISA260 is KPMG's commentary on the Pension Fund. This is discussed in section 4.4 of this report.

- 4.1.4. It should be noted that the accounts remain 'unaudited' until the audit opinion is formally signed and dated by KPMG and the audit remains open until final certification. The accounts are therefore subject to change until that point, however, at present, no further changes are expected.

4.2. STATEMENT OF ACCOUNTS 2013/14

- 4.2.1. The Explanatory Foreword, which starts on page 7 of the Statement of Accounts, gives an outline of the Council's financial activity during 2013/14. In summary the key points are:

- A General Fund revenue account under-spend of £8.6m after departmental carry forwards of budgets to 2014/15 of £5.4m.
- A General Fund balance of £19.0m.
- A Housing Revenue Account (HRA) surplus of £3.2m for the year, increasing its working balance to £7.5m.
- Earmarked reserves at 31 March 2014 of £92.6m.

- A stable balance sheet. Total net assets have increased, but this is due substantially to an increase in property values and the annually updated and volatile net pension liability, neither of which impact on the General Fund balance.
- Capital expenditure totalling £58.9m.

Further details on all these elements can be found within the Statement of Accounts.

4.3. REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA260)

4.3.1. The ISA260 (Appendix 2) summarises the findings from KPMG's 2013/14 audit. KPMG, as the appointed auditors, state that:

- they plan to issue an unqualified opinion; and
- they have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

4.3.2. The auditor has highlighted the headline information from the audit on page 3 of the report, with detailed findings commencing from page 6. The audit identified two audit adjustments to the draft accounts, both pertaining to the valuation of fixed assets, as follows:

- **Housing Dwellings** – These had previously been valued at 01 April 2013 but it was agreed that these valuations should be indexed to 31 March 2014 to reflect significant increases in the London property market in the year. Further to an assessment by the Council's external valuer, dwelling values were uplifted by 12%, resulting in an additional valuation gain of £115.9m.
- **Schools** – The Council had previously included nine schools for revaluation in this year's valuation programme, however, given a change in valuation method it was agreed that all school assets should be revalued to ensure a consistent approach. All Council-owned schools have now been revalued in the final accounts.

These accounting adjustments have had no impact on the Council's General Fund balance or other usable reserves.

4.3.3. The auditor has made a medium-priority recommendation in light of this adjustment. This, together with the Council's response, is set-out in Appendix 1 of the ISA260 report.

4.3.4. The auditor also asks the Committee and management for written representations about the financial statements and governance arrangements. To that end Members are asked to consider and approve the draft letter of representation included at Appendix 3.

4.4. PENSION FUND

4.4.1. KPMG's Report to those Charged with Governance (ISA260) includes commentary for their audit of the Pension Fund. KPMG state they intend to issue an unqualified opinion and no material adjustments were identified. The auditor's findings are detailed on page 5 of the ISA260. The Pension Fund accounts are included in the overall Statement of Accounts from page 76 onwards.

5. PROPOSAL AND ISSUES

5.1. Not applicable.

6. OPTIONS AND ANALYSIS OF OPTIONS

6.1. Not applicable.

7. CONSULTATION

7.1. Not applicable.

8. EQUALITY IMPLICATIONS

8.1. Not applicable.

9. LEGAL IMPLICATIONS

9.1.1. In accordance with the Accounts and Audit Regulations 2011, the Council's audited year end Statement of Accounts must be approved by the Audit, Pensions and Standards Committee and published before the end of September.

9.1.2. KPMG are required to report the findings from their audits in a Report to those Charged with Governance (ISA260) to the Audit, Pensions and Standards Committee before their opinion on the accounts is issued.

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. Not applicable.

11. RISK MANAGEMENT

11.1. Not applicable

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	LBHF Statement of Accounts 2013/14 Code of Practice on Local Authority Accounting 2014 KPMG Reports to those Charged with Governance (ISA260)	Christopher Harris, 020 8753 6440	Corporate Accountancy and Capital, 2 nd Floor, Hammersmith Town Hall Extension

LIST OF APPENDICES:

Appendix 1 – London Borough of Hammersmith and Fulham Annual Statement of Accounts 2013/14 (including Pension Fund)

Appendix 2 – KPMG Report to those Charged with Governance (ISA260) (Main Financial Statements and LBHF Pension Fund)

Appendix 3 – Draft Letter of Representation