Greater London Authority Group

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

Building a better working world

Contents

Public Sector Audit Appointments Ltd (PSAA) have issued a ''Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated 23 February 2017)" issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive Summary

Executive Summary

We are required to issue an Annual Audit Letter to Greater London Authority Group (the Authority and Group) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority and Group's: ► Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of its expenditure and income for the year then ended
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Authority and Group's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception: ► Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Authority and Group
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Authority and Group, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority and Group communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 14 September 2017
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 14 September 2017

We would like to take this opportunity to thank the Authority's staff for their assistance during the course of our work.

Karl Havers

Partner
For and on behalf of Ernst & Young LLP

Purpose

Purpose

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority and Group.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the Mayor, representing those charged with governance, on 14th September 2017 and to the 17 October 2017 Audit Panel. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority and Group.

Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 1 March 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- Expressing an opinion:
  - On the 2016/17 financial statements for the Authority and Group; and
  - On the consistency of other information published with the financial statements.
- Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- Reporting by exception:
  - If the annual Governance Statement is misleading or not consistent with our understanding of the Authority and Group;
  - Any significant matters that are in the public interest;
  - Any written recommendations to the Authority and Group, which should be copied to the Secretary of State; and
  - If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Authority and Group's Statement of Accounts is an important tool for the Authority and Group to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority and Group's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 14 September 2017.

Our detailed findings were reported to the Mayor on 14 September 2017, and to the 17 October 2017 Audit Panel.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Management override of controls	
A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.	Our testing of journal entries was based on risk criteria and has not identified adjustments which were outside of the normal course of business. All journals tested have an appropriate business rationale. We have undertaken the following procedures in relation to significant accounting estimates (net pension liability, property valuation and business rate appeals): • We audited the method of determining the appeals provision and ensured that there was a justification for significant movements through liaison with London Borough external auditors. Our work on the appeals provision has found no indication of management bias in these estimates. • We assessed the independence and competence of management's experts in relation to property valuations and the determination of the pension liability. We concluded that experts were appropriately qualified and sufficiently independent from the Authority and Group. We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied.

	We did not identify any other transactions during our audit which appeared unusual or outside the Authority and Group's normal course of business
Revenue and expenditure recognition	
Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation. We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.	To address this risk we considered the nature of income and expenditure recognised by the Authority and Group. For Authority single entity, we assessed the level of risk against each significant income and expenditure stream. The Authority's capital expenditure is immaterial, and therefore there is no material risk that this is over-stated. The Authority's income comes from grants, taxation and interest receipts. Each of these sources are easily predicted and verified, and therefore we rebutted the risk of inappropriate recognition in these streams. We noted that for London Legacy Development Corporation (LLDC), a significant component of the group, there would be an incentive to treat capital expenditure as revenue expenditure due to the nature of the Authority's funding arrangements which requires LLDC to repay capital loans. We placed reliance on the audit work performed at LLDC which found no material issues either in the classification of revenue expenditure or the recognition of its significant income streams. The significant income streams in GLAP include income from property disposals, rental and other property income from investment properties, contributions from developers. We applied a higher level of testing to these income streams and also tested cut-off. We identified no material issues Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Authority's financial position.
Risk of error in Pension Valuations	
The Authority's current pension fund deficit is a highly material and sensitive item. Small changes in assumptions when valuing these assets can have a material impact on the financial statements.	We liaised with the auditors of the London Pensions Fund Authority to obtain assurances over the information supplied to the actuary in relation to the Authority. They reported to us that no exceptions were noted in their testing concerning the accuracy and completeness of data supplied to the actuary (Barnet Waddingham). We performed procedures which enabled us to place reliance on Barnet Waddingham as management's expert. For Barnet Waddingham, discount rates and RPI inflation assumptions fall outside the range expected by our experts. We have concluded that the RPI assumption of 3.6% per annum is slightly prudent. However, since the impact of the discount rate

	assumption has the opposite effect, we are satisfied that the overall basis is appropriate. We also noted that the methodologies used to derive the discount rate and RPI inflation assumptions do not take adequate account of the specific duration of the scheme's liabilities. We have performed sufficient work to conclude that this does not present a material issue for 2016/17. We tested the accounting entries made within the Authority's financial statements in relation to IAS 19 and noted no issues.
Risk of error in Property Valuations within LLDC and GLAP The GLA Group Balance Sheet contains property assets which are highly material in nature. This includes LLDC's Olympic Park and GLAP's property assets.	The valuation of the Queen Elizabeth Olympic Park is significant to the balance and reduced significantly this year. Our internal valuation expert has concluded that the methodology applied is reasonable. The valuation of Crystal Palace National Sports Centre is material to GLAP although not to the Group. We have also considered the reasonableness and the appropriateness of the valuation basis and concluded that the depreciated replacement cost method is appropriate. We have confirmed that the valuers are members of RICS and registered valuers. We assessed the competency of the valuers, instructions provided to the valuer against the requirements of the Code of Accounting Practice for Local Government and IAS 16 and have not identified any issues. Our work has found that the Group has appropriately reflected the findings of the valuer in their financial statements and we are able to rely on the valuers as management experts.
E20 Stadium LLP and onerous contracts E20 Stadium LLP is a limited liability partnership between the London Legacy Development Corporation (LLDC) and the London Borough of Newham's subsidiary Newham Legacy Investment (NLI). The objective of the LLP was to transform and then operate the Olympic Stadium. The 2015/16 business plan showed an average profit across 10 years of approximately £600,000. During 2016/17, assumptions were revised based on known changes.	E20 Stadium LLP management has recognised the Stadium at a nil carrying value and used the valuation of the Stadium to determine the value of the onerous contract provision. The Stadium valuation is undertaken by independent valuers, based on a 10 year forecast, extrapolated, which has been produced by E20 Stadium LLP management. This has resulted in a provision of £200 million in the financial statements. The valuation and provision assume that E20 is a going concern, and that it will continue to receive funding from its joint venture partners. (NLI and LLDC)

Alongside this revision, E20 Stadium LLP management reviewed the profitability of its ongoing contracts in line with IAS 37 and determined that a provision was required to recognise the ongoing cost that the contracts represent to the organisation.	We have undertaken the following procedures in relation to this significant estimate: • Assessed the decision to use the valuation of the stadium as a proxy for the value of the onerous contract provision. • Assessed the possible upsides and downsides in the forecast, as well as the known changes that have occurred since the forecast was produced. • Audited the sensitivity analysis performed by E20 Stadium LLP management on the valuation. We note that the provision is highly dependent on future actions and business plans. However we believe the onerous contract provision is a reasonable estimate of future losses without substantial changes to the business plan. Any substantial changes to the plan would require contractual renegotiation. We have used updated assumptions supported by a business review commissioned by E20 LLP to assess the level of estimation uncertainty in the context of our materiality level and the estimate itself. The range we identified is £166 million to £228 million. We have therefore concluded that the estimate is reasonable, as the extremes of those assumptions are less likely to occur. The Authority enhanced their disclosure concerning the estimation uncertainty that is inherent in the consolidated loss in E20 Stadium LLP as a result of the judgements made concerning this calculation.
Risk of error localisation of business rates and rating appeals Significant changes in the arrangements for the distribution of business rates were made by the Government in April 2013 following the introduction of the 50% local rates retention scheme. As a result there was a requirement for individual authorities to make provision for potential refunds to ratepayers arising from successful appeals against their property valuations. Appeals are made to the Valuation Office (VOA), and authorities are required to make judgements on the likelihood of appeals being successful and the financial impact of those appeals. Authorities may therefore find it difficult to obtain sufficient information to establish a	We obtained the underlying information the Authority has used to calculate its share of the appeals provision, namely returns produced by the London Boroughs. Based on our work we are satisfied that the Authority share has been calculated accurately and disclosed appropriately. We identified the London Boroughs that form the bulk of the provision and undertaken further procedures in relation to these Authorities; liaising with their auditors to understand the procedures undertaken and assurance gained. We have made inquiries of these auditors to understand the methodology employed by each entity, and the reason for significant movements. Based on the work completed, we are satisfied that the Authority provision accurately reflects its share of the London Boroughs' provisions as reflected in their returns to the Secretary of State.

reliable estimate as they are ultimately subject to the decisions and actions of third parties	

Other Key Findings	Conclusion
Group Considerations: We identified the recoverability of capital loans to third parties in the light of uncertain future funding requirements as an area of audit focus following the issue of our audit plan: • Recoverability of capital loans to third parties • Funding Requirements • Relationship of E20 to the rest of the Group	We asked the Authority to assess the recoverability of their capital loans to third parties (£649 million), particularly for London Legacy Development Corporation (LLDC) in the light of changes to anticipated future receipts and commitments relating to the Cultural and Education District and E20 Stadium LLP. The LLDC's future commitments in relation to the ongoing operation of the Stadium are uncertain. As a result of uncertainties in the arrangements between the Members of E20 in relation to future funding, as well as historic contractual arrangements which occurred before the current accounting period, there is a potential gap in LLDC's future funding to ensure it will be able to meet its commitments. The Authority's assessment has taken into consideration the latest long-term forecast produced by LLDC and sensitivities of possible funding outcomes concerning the Cultural and Education District and E20 Stadium LLP. The assumptions concerning the recoverability of capital loans have been appropriately disclosed in the financial statements.
Assessment of Group Boundary The role of the Authority, along with its structure and working relationships, has continued to evolve over time. During 2016/17, the Policing and Crime Act received royal assent. Under this Act, the Government will bring fire and rescue services in London under the direct responsibility of the Mayor of London by abolishing the London Fire and	We have considered the Authority's arrangements to prepare for this change in arrangements as part of our audit and have no matters to report. We note however that the Authority will need keep it's group assessment under constant review to ensure it considers all entities both within the Greater London Authority family and beyond under IFRS 10: Consolidated Financial Statements and IFRS 11: Joint Arrangements.

Emergency Planning Authority (LFEPA) and creating the London Fire Commissioner as a corporation sole. The timing of the transfer of governance arrangements when we completed our planning procedures was expected to be 1 October 2017. However the timetable has been revised and this is now expected to be 1 April 2018, subject to the passing of secondary legislation.	We will consider these assessments and the impact of the Policing and Crime Act as part of our future audits. The Authority has also considered whether or not the funding, risks and rewards would indicate that E20 now represents a subsidiary of the Greater London Authority. It has concluded that during 2016/17, it did not indirectly or directly direct the activities of the LLP. We have agreed with this judgement, however, the Authority will need to make this assessment again for 2017/18 in light of the changing circumstances of the LLP.
Presentation of expenditure and funding analysis statement and restatement of CIES and MiRS New CIPFA reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.	As a result of these changes, the service analysis in the accounts is now based on the organisational structure under which the Authority operates and shows the Authority's segmental analysis. As a result of our audit procedures amendments were made to the presentation of the CIES and Expenditure and Funding Analysis and an additional restated disclosure note was added to the accounts to ensure full compliance with the CIPFA Code.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality for the Greater London Authority Group to be £32.1 million (2015-16: £27.5 million), which is 1% of gross expenditure reported in the accounts of £32.065 million

	We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.
Reporting threshold	We agreed that we would report all audit differences in excess of £1.6 million (2015-16: £1.375 million)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits.
- Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

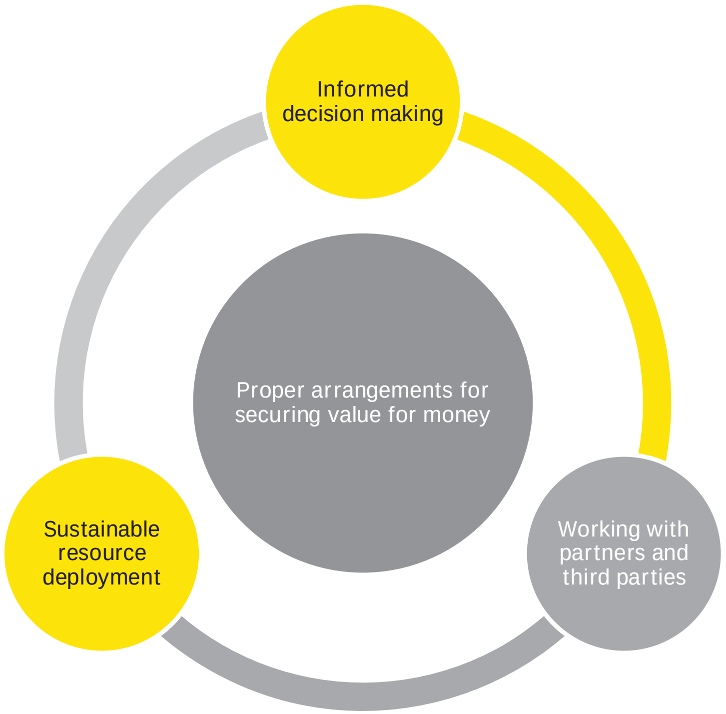
Value for Money

Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



In our Audit Plan we identified one significant risk which concerned governance of the London Legacy Development Corporation's (the Corporation) key projects. During the year, we have revisited our risk assessment to take into account developments during the period of the audit. As a result, we have expanded this risk to consider the funding of the Corporation's financial obligations in relation to the operation of the London Stadium, and the level of uncertainty regarding the range of future funding the Corporation needs to provide for the operation of the Stadium. We note that the Mayor of London has announced an investigation into the finances of the Stadium, which at the time of this report, is still ongoing. We have considered the GLA's role in overseeing the Corporation's response to this risk and to securing financial sustainability.

We performed the procedures outlined in our Audit Plan to ensure the Authority took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We had no matters to report about the Authority's arrangements to secure economy efficiency and effectiveness in its use of resources. We therefore issued an unqualified value for money conclusion on 14 September 2017.

Significant Risk	Conclusion
Governance of the London Legacy Development Corporation (the Corporation)'s key projects The Cultural and Education District (CED) Project is by far the most significant project which the Corporation has undertaken. Its main objective is the continued development of the Olympic Park and the securing of the Olympic legacy. The project has a highly significant funding requirement and the GLA are providing funding directly to the Corporation in relation to this. Although the majority of total funding is being provided by third parties, including the Government, a specific charitable fund and a number of educational and cultural bodies involved in the project, the Authority are required to underwrite the cost of the project. As a result, the Authority is exposed to any shortfalls in the funding being provided by third parties in the medium to long term. Similarly, London Legacy Development Corporation provides funding to E20 Stadium LLP. The LLP commenced operations during 2016/17. Any losses incurred by the LLP will be	Our approach has focused on assessing how the Authority is holding the Corporation to account at Board and officer level, on their key projects. The Authority has remained an engaged partner in the CED project, with representation on the CED Board, which provides strategic direction and oversight of the project. The Authority have also engaged with the Corporation's management regularly to understand the developments during the year. The commencement of stadium operations, along with other developments during the year, have made it clear that the LLP's contractual expenditure exceeds contractual income. E20 LLP is therefore reliant on the Members (NLI and the Corporation) for funding to continue operations. During 2016/17, the Authority have liaised with the Corporation on the future plans of the partnership and the extent of support required in order for the Authority and the Corporation to achieve their strategic objectives for the London Stadium. We are therefore satisfied that the Authority's arrangements to date have been appropriate. We note however that it is critical that this liaison continues during 2017/18, when the CED masterplan is expected to be finalised.

financed by the Corporation and NLI in line with their membership agreement.

Other matters to report regarding future risks
In early 2017/18, London Legacy Development Corporation's commitments in relation to the ongoing operation of the Stadium are uncertain. The Corporation is party to two of the LLP's key contracts. As the ultimate funder of the Corporation, the Authority is exposed to the financial risks arising from the Stadium and E20 LLP, discussed above. Therefore the potential gap in the Corporation's funding to ensure it will have sufficient funding to meet its commitments in all eventualities has been triggered by agreements between the Members of E20 in relation to future funding, as well as historic contractual arrangements which occurred outside of the period under review. We have concluded that this situation is not indicative of a lack of proper arrangements during 2016/17 either at the Corporation or a governance failure at the Authority, but that it is the product of historic contractual decisions. It is imperative, however, that all parties concerned make decisions regarding the future of E20 LLP as soon as possible so that progress can be made and cost to the public purse minimised.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes. We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority and Group's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

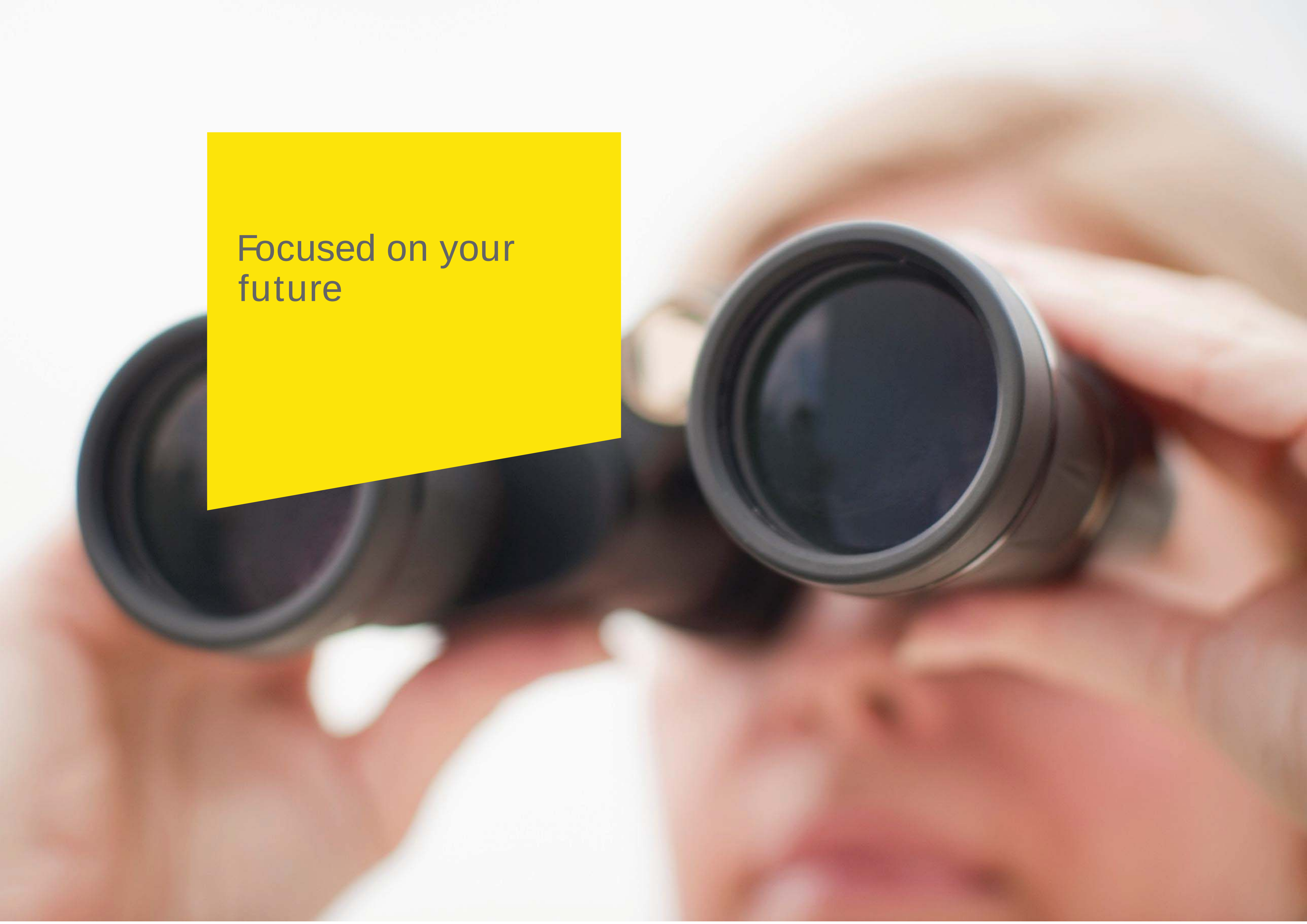
We communicated our assessment of independence in our Audit Results Report to the Mayor on 14 September 2017 and to the Audit Panel on 17 October 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit Panel.


Focused on your future

Focused on your future

Area	Issue	Impact
Earlier deadline for production and audit of the financial statements from 2017/18	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From next year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	These changes provide challenges for both the preparers and the auditors of the financial statements. The Authority and Group has been preparing for this change for the last two years. In 2016/17 our audit opinion was issued on 14 September – 2 weeks earlier than in 2015/16. We will continue to work with the Authority to identify areas where improvement and efficiencies can be made and to ensure that appropriate arrangements are in place to meet the new deadline.
IFRS 9 Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year and will change: • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.	Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority and Group will have to: • Reclassify existing financial instrument assets • Re-measure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items The Authority and Group is awaiting clarification of the exact requirements before investing time in the above work.
IFRS 15 Revenue from Contracts and Customers	Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.	As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Authority will have to: • Disaggregate revenue into appropriate categories • Identify relevant performance obligations and allocate income to each • Summarise significant judgements

Area	Issue	Impact
	• There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be	The Authority anticipates a moderate impact but is awaiting clarification of the exact requirements before investing time in the above work.
IFRS 16 Leases	IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard, the new standard will have a significant impact for local authorities who lease in a large number of assets, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.	Until 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Authority and Group will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented. The Authority and Group is has yet to commence work in this area due to the timing of implementation.
Group Boundary	During 2016/17, the Policing and Crime Act received royal assent. Under this Act, the Government will bring fire and rescue services in London under the direct responsibility of the Mayor of London by abolishing the London Fire and Emergency Planning Authority (LFEPA) and creating the London Fire Commissioner as a corporation sole. The timing of the transfer of governance arrangements is expected to be 1 April 2018, subject to the passing of secondary legislation.	It is important that the GLA continues to revisit on an annual basis its assessment of the group boundary. The assessment will need to consider all entities both within the GLA family and beyond under IFRS 10: Consolidated Financial Statements and IFRS 11: Joint Arrangements. The GLA will also determine governance arrangements of the LFC

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

ED None

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com