

# **APPROVAL OF THE 2011/12 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2012**

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## **SUMMARY**

The attached report summarises the findings of the External Auditor on the audit of the 2011/12 Statement of Accounts. The report will be presented to Audit Committee on 20 September by Deloitte.

The auditor has indicated that, subject to completion of some minor procedures, an unqualified opinion will be given and that the Statement of Accounts give a 'true and fair' view. Additionally the auditor is planning to issue an unqualified conclusion on the Council's arrangements for securing value for money.

The report addresses Key Audit risks that were identified prior to audit and reported to Audit Committee on 15 March 2012

## **RECOMMENDATIONS**

- 1. To approve the Statement of Accounts for 2011/12.**
- 2. To note the Auditors findings and adjustments outlined in Appendix 1 of the attached report.**

## **SCOPE OF EXTERNAL AUDIT**

The Council's auditor, Deloitte, is responsible for undertaking an audit of the Statement of Accounts. The outcome of the audit is set out in the attached report.

The International Standard on Auditing Report 260 (ISA 260) requires that auditors should communicate to elected members matters of governance that arise from the audit of the financial statements. These cover:

- Financial performance and position
- Accounting policies and financial reporting
- Materiality and identified misstatements
- Accounting and internal control systems
- Value for Money (VFM) conclusion

In addition, the Auditor requires a "Management Representation Letter" to be signed by management and the Committee. The contents of this letter are set out at Appendix 3. The letter has to include representations from management on matters material to the statement where sufficient appropriate evidence cannot reasonably be expected to exist.

## **COMMENT ON THE CONTENTS OF THE REPORT**

The audit process for 2011/12 was again efficient and rigorous, commencing a little earlier than previous years and executed by auditors familiar to Hillingdon, thus requiring less officer input and time. The report highlights just three judgemental misstatements and four classification errors. It also provides suggestions for improving certain minor procedural or systems controls and two disclosure deficiencies. Deloitte will discuss these issues in detail at Committee. This represents another very satisfactory audit outcome in Year 2 of reporting under IFRS.

## **ACCOUNTS SUMMARY**

The budget for 2011/12 contained £26.2m of savings and the outturn position posted an underspend of £8m against budget. The accounts show an increase in General Fund balances of £6.9m

The Comprehensive Income and Expenditure shows a deficit of £172.8m attributable to a single payment to Central Government of £191.7m as settlement on the introduction of the HRA self-financing regime. This is then reversed through the Movement in Reserves and Balances so as not to adversely impact on the council tax payer.

The balance sheet decreased by £240.6m chiefly caused by the above liability and an actuarial loss on pension assets and liabilities of £67.4m. The latter was largely due to the lowering of the discount rate used in actuarial assumptions.

The Council decided not to reduce the impairment of £2.5m made in 2012/11 on Icelandic bank losses although the latest bulletin suggests that recovery will be better than anticipated then with a potential reduction of £700k. This will be reviewed in this financial year and brought back to reserves if the outlook remains as promising.

Following the many changes introduced on the implementation of IFRS in 2010/11, there were few substantive changes to accounting requirements this year to report to Audit Committee

## **FINANCIAL IMPLICATIONS**

The financial implications are contained within the body of the report

## **LEGAL IMPLICATIONS**

The legal implications are mentioned within the report.

## **BACKGROUND DOCUMENTS**

None