

# **APPROVAL OF THE 2012/13 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2013**

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## **SUMMARY**

The attached report summarises the findings of the External Auditor on the audit of the 2012/13 Statement of Accounts. The report will be presented to Audit Committee on 26 September 2013 by Deloitte.

The auditor has indicated that, subject to completion of some minor procedures, an unmodified opinion will be given and that the Statement of Accounts gives a 'true and fair' view. Additionally the auditor is planning to issue an unmodified 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 12 March 2013.

## **RECOMMENDATIONS**

**It is recommended that Audit Committee**

- 1. Approve the audited Statement of Accounts for 2012/13.**
- 2. Considers the Auditors findings and adjustments outlined in Appendix 1 of the attached Deloitte report.**

### **Reason for Recommendation:**

The arrangements for keeping and publishing the Council's accounts are set out in the Accounts and Audit Regulations 2011. Under these regulations the Corporate Director of Finance is responsible for determining the Council's accounting system, form of accounts and supporting accounting records.

In accordance with the requirements of the Accounts and Audit (England) Regulations 2011 the Corporate Director of Finance approved the Statement of Accounts on xx June 2013, prior to the accounts release to the Council's external auditor, Deloitte.

Deloitte has now audited these accounts and their report will be presented to this Committee. The regulations require the Audit Committee to consider and approve the audited Statement of Accounts by 30 September 2013 and for these accounts to be signed and dated by the committee Chairman.

## **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 of the Deloitte report. 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 2012/13 was again efficient and rigorous, commencing during June and executed by auditors familiar to Hillingdon, thus requiring less officer input and time. The report highlights two factual misstatements and three judgemental. It also provides suggestions for improving several procedures and systems controls. Deloitte will discuss these issues in detail at Committee. This represents another very satisfactory audit outcome.

## **ACCOUNTS SUMMARY**

The Balance sheet of the Council sets out the assets and liabilities at the end of the financial year and is a guide to the financial health of the Council. There was an overall decrease on the Balance sheet by £40.2m, mainly caused by the writing out of £38.4m of community schools as a result of them transferring to academy status.

The Comprehensive Income and Expenditure shows a surplus of £13.5m mainly attributable to the introduction of the HRA self-financing regime.

There were no substantive changes to accounting requirements this year to report to Audit Committee

### **Post Balance Sheet Events:**

i) The Council held a contingent liability for a claim under TUPE Regulations brought against the Council by twelve former employees of RS Gormanley. However, an Employment Tribunal found against the Council necessitating the removal of the contingent liability and the recognition of a £1m provision to cover potential claims.

ii) Following receipt of a Heritable dividend of £2.5m in respect of the investment in Icelandic banks during 2008 in late August, a late amendment was made to the accounts. This payment was unexpected and took our expected rate of recovery well over what had

been impaired in the accounts. As a result a change was made to the final accounts to reduce the impairment and this then added £1.35m to the brought forward balances.

## **FINANCIAL IMPLICATIONS**

The financial implications are contained within the body of the report

## **LEGAL IMPLICATIONS**

Under section 2 of the Audit Commission Act 1998 the Statement of Accounts should be audited in accordance with the act by an auditor or auditors appointed by the Commission. In Hillingdon, Deloitte have been appointed by the Audit Commission to carry out this function.