

APPROVAL OF THE 2013/14 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2014

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SUMMARY

The attached report summarises the findings of the External Auditor on the audit of the 2013/14 Statement of Accounts. The report will be presented to Audit Committee on 23 September 2014 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 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 11 March 2014.

RECOMMENDATIONS

It is recommended that Audit Committee

- 1. Approve the audited Statement of Accounts for 2013/14.**
- 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 24 June 2014, 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 2014 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.

Audit Committee 23 September 2014
PART I – MEMBERS, PUBLIC & PRESS

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. The contents of this letter are set out at Appendix 2 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 2013/14 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 4 factual misstatements in the draft accounts which have all been corrected; the more significant of these was the result of subsequent demolition of primary school buildings within the schools capital programme. The report also provides suggestions for improving procedures and systems controls in relation to the fixed asset valuation process. There were no recommendations in relation to the accounts or financial control processes within the organisation. 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 increase on the Balance sheet of £66.9m, mainly caused by the improvement in council asset valuations despite the council writing out of £18.2m of community schools as a result of them transferring to academy status.

The Comprehensive Income and Expenditure shows a surplus of £60.2m mainly attributable to reversal of prior year impairment on HRA dwellings. Much of this surplus is reversed out due to accounting requirements to represent the statutory cost of the general fund and HRA for Council Tax and rent setting purposes. The actual increase to General Fund balances was £3.8m and for the HRA £3.7m. Earmarked reserves also increased by £10.9m.

There were two minor changes to accounting requirements this year; the introduction of Public Health services and a change to accounting requirements on IAS19 for Pensions liabilities, which resulted in a restatement to the published 2012/13 accounts.

Post Balance Sheet Events

Since the 31 March 2014 three of the Council's school buildings were demolished as part of the schools expansion capital programme. The remaining asset values on these schools buildings (£3.1m) will be written out of the accounts in 2014/15.

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.