

Approval of the 2014/15 Statement of Accounts and External Audit Report on the Audit for the Year Ended 31 March 2015

Contact: Nancy Leroux
Telephone: 01895 250353

SUMMARY

The attached report summarises the findings of the External Auditor on the audit of the 2014/15 Statement of Accounts. The report will be presented to Audit Committee on 24 September 2015 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 16 December 2014.

RECOMMENDATIONS

It is recommended that Audit Committee

- 1. Approve the audited Statement of Accounts for 2014/15.**
- 2. Considers the Auditors recommendations outlined in Internal Control Recommendations on page 14 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 30 June 2015, 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 2015 and for these accounts to be signed and dated by the committee Chairman.

SCOPE OF EXTERNAL AUDIT

Audit Committee 24 September 2015

PART I – MEMBERS, PUBLIC & PRESS

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. 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 2014/15 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 no factual misstatements in the draft accounts. The report 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 a very strong year for the production of the accounts and another positive audit outcome.

ACCOUNTS SUMMARY

The accounts were restated from 2013/14 due to a change in accounting for schools assets which increased the opening Balance sheet by £62m due to the incorporation of Foundation school assets.

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 of £33m, mainly caused by a change in future liabilities for Pension obligations.

The Comprehensive Income and Expenditure shows a surplus of £52.1m 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 £5.4m and for the HRA £7.8m. Earmarked reserves also increased by £5.7m.

Audit Committee 24 September 2015

PART I – MEMBERS, PUBLIC & PRESS

Post Balance Sheet Events

During August the council received an additional dividend payment in relation to the outstanding Heritable Iceland investment. This brings to total dividend paid to 98%. This dividend payment was in improvement in the amount recoverable reported in the Statement of accounts. Although this income would be an adjusting post balance sheet event it is immaterial so the accounts have not been adjusted to take account of the additional income. This will be accounted for by a credit in the 2015/16 Statement of Accounts.

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.