

Approval of the 2015/16 Statement of Accounts and External Audit Report on the Audit for the Year Ended 31 March 2016

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SUMMARY

The attached two reports summarise the findings of EY, the External Auditor, on the audit of the 2015/16 Statement of Accounts including the Pension Fund Accounts. The first report summarises the main financial statements and the second the Pension Fund accounts audit. At this stage there are a number of outstanding areas of work. The reports and a verbal update will be presented to Audit Committee on 22 September 2016 by EY.

The auditor has indicated that, subject to completion of the remaining area of work, 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 statement of accounts is inclusive of the Pension Fund accounts however the Pension Fund accounts are audited separately due to the specialist nature. Subject to completion of the outstanding areas the auditor has indicated that this part of the Financial Statements will receive an unmodified opinion.

The report addresses Key Audit risks that were identified prior to audit and reported to Audit Committee on 15 March 2015.

RECOMMENDATIONS

It is recommended that Audit Committee

- 1. *Dependant on the status of the audit as presented to Audit Committee either approve the audited Statement of Accounts for 2015/16 or delegate authority to the Chairman of the Audit Committee, in consultation with the Corporate Director of Finance, to sign the statement of accounts on completion of the audit.***

Reason for Recommendation

The arrangements for keeping and publishing the Council's accounts are set out in the Accounts and Audit Regulations 2015. 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 2015 the Corporate Director of Finance approved the Statement of Accounts on 30 June 2016, prior to the accounts release to the Council's external auditor, EY.

Once the accounts are audited the regulations require the Audit Committee consider and approve the audited Statement of Accounts by 30 September 2016 and for these accounts to be signed and dated by the Committee Chairman and Corporate Director of Finance.

SCOPE OF EXTERNAL AUDIT

The Council's auditor, EY, 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 G of the EY main audit report and Appendix F of the EY Pension Fund audit report. The letter has to include representations from management on matters material to the statements where sufficient appropriate evidence cannot reasonably be expected to exist.

COMMENT ON THE CONTENTS OF THE REPORT

Main Accounting Statements

The audit for 2015/16 was carried out during June through September by a new team of auditors; the first year of the current Public Sector Audit Appointments (PSAA) audit contracts. The report highlights one corrected misstatement in the draft accounts in relation to the valuation on two assets which resulted in gains on one asset and losses of equivalent value on the other. EY will discuss the findings of the audit work in detail at Committee. There were no uncorrected misstatements in the accounts to report at and no recommendations at this stage. There are currently a number of areas of audit work outstanding.

Pension Fund Statements

The report gives a comprehensive account of the work undertaken during the audit and includes several auditor mandatory reporting requirements. The report is positive and reports satisfactorily on the key audit risks. As yet there have been no required adjustments to the Pension Fund accounts as a result of the audit testing. There are a number of outstanding detailed areas to still be completed.

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 £241.1m, mainly caused by a change in future liabilities

for Pension obligations and an increase in the Revaluation Reserve from the valuation of Property Plant and Equipment.

The Comprehensive Income and Expenditure Statement shows a surplus of £51.7m 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 General Fund had an in year deficit of £0.9m prior to a planned drawdown from General Fund balances to help fund to 2015-16 budget. The HRA had an in year surplus of £3.4m. Earmarked reserves also increased by £1m.

Post Balance Sheet Events

A note has been added to the statement of accounts regarding the EU referendum decision for "Brexit". This does not however effect the information contained within the draft financial statements; the note is for information purposes only.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report

LEGAL IMPLICATIONS

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to PSAA on a transitional basis under powers contained in the Local Audit and Accountability Act 2014. In Hillingdon, EY have been appointed by the PSAA to carry out this function.