

APPROVAL OF THE 2017/18 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2018

Committee name	Audit Committee
Officer reporting	Sian Kunert, Head of Pensions, Treasury & Statutory Accounting
Papers with report	EY Audit Results Report EY Pension Fund Audit Results Report Statement of Accounts 31 March 2018
Ward	All

HEADLINES

The attached two reports summarise the findings of EY, the External Auditor, on the audit of the 2017/18 Statement of Accounts including the Pension Fund Accounts. The first report summarises the main financial statements and the second the Pension Fund accounts audit.

The auditor has indicated that, subject to completion of the remaining areas 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 unqualified opinion.

The report addresses Key Audit risks that were identified prior to audit and reported to Audit Committee on 11 April 2018.

RECOMMENDATIONS:

That the Committee:

- 1. Approve the audited Statement of Accounts for 2017/18.**

SUPPORTING INFORMATION

The arrangements for keeping and publishing the Council's accounts are set out in the Accounts

and Audit (England) 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 31 May 2018, 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 31 July 2018 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 E of the EY main audit report and Appendix C 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 report gives a comprehensive account of the work undertaken during the audit with a focus on significant risks, as identified at the planning stage. EY will discuss the findings of their audit work in detail at Committee and provide an update from the report date. There are no misstatements or errors in the accounts to report and no recommendations at this stage. There are currently a number of areas of audit work outstanding.

Pension Fund Statements

The report gives an 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. There are no reportable errors at the report date.

Annual Governance Statement

The London Borough of Hillingdon is required to prepare an Annual Governance Statement (AGS) to meet its responsibilities for safeguarding public money and managing business functions in accordance with the Accounts and Audit Regulations 2015. The Council also has a duty under the Local Government Act 2003 to conduct a continuous assessment and improvement of business functions and demonstrate Economy, Efficiency and Effectiveness.

The Council has developed a system to evaluate the management of risks, internal controls and governance arrangements across all services, which form part of the process to compile this document. This process concludes with a formal statement outlining overall performance and any measures needed to address identified governance weaknesses as part of the Statement of Accounts. The AGS has been signed and agreed by the Leader of the Council and the Chief Executive; approval of the Statement of Accounts includes adoption of the AGS.

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 to the wealth of the Council shown through the Balance sheet of £9m, this was mainly due to an increase in property value and capital programme spend which also increased the unusable reserves - revaluation reserve and capital adjustment account.

Usable reserves fell £15m in year with a reduction in schools balances and the HRA reserves, with a small increase on General Fund balances and General Fund earmarked reserves.

The Comprehensive Income and Expenditure Statement shows a deficit of £33.4m on the provision of services however much of this deficit 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 ultimate impact to the General Fund was an in-year surplus of £1.6m, whilst the HRA had an in-year deficit of £8.7m.

Post Balance Sheet Events

There are no post balance sheet events since 31 March 2018 to report.

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.

BACKGROUND PAPERS

None