APPROVAL OF THE 2010/11 STATEMENT OF ACCOUNTS AND EXTERNAL AUDIT REPORT ON THE AUDIT FOR THE YEAR ENDED 31 MARCH 2011

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SUMMARY

The attached report summarises the findings of the External Auditor on the audit of the 2010/11 Statement of Accounts and the Value for Money audit. The report is the proposed final report to be signed by Deloitte following Audit Committee on 21 September.

The auditor has indicated that an unmodified opinion will be given and that the Statement of Accounts give a 'true and fair' view.

The report addresses Key Audit risks that were identified prior to audit with particular focus on those risks associated with the adoption of IFRS for the first time in 2010/11.

RECOMMENDATIONS

1. To approve the Statement of Accounts for 2010/11.
2. To note the Auditors findings and adjustments outlined in Appendix 1.

SCOPE OF EXTERNAL AUDIT

International Standard on Auditing Report 260 (ISA 260)

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 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 4. 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 2010/11 was efficient and rigorous and yet completed earlier than previous years. The report highlights just two judgemental misstatements and four classification errors. It also provides suggestions for improving certain minor procedural or systems controls and disclosure deficiencies that will assist the Council in future years. This represents a very satisfactory audit outcome and successful transition to reporting under IFRS.

ACCOUNTS SUMMARY

The move to IFRS compliant accounts for 2010/11 has resulted in a number of changes to both the presentation and content of the financial statements. In particular a third balance sheet is provided to enable opening balances for the comparator year, the impact of these are set out in note 49 on page 99.

The Comprehensive Income and Expenditure shows a deficit of £11.3m however, this figure is largely constituted by notional charges, namely:-

- an impairment of £196.7m associated with a downward valuation of council dwellings following CLG's change of indexing for social housing from 37% to 25% of full valuation
- a past service gain within the Pension Fund accounts of £95.6m representing a reduction in liabilities under IAS19 following the move from indexing pension uplifts from RPI to CPI.

The Movement in General Fund Balance reverses items that are not chargeable to the council tax payer and include the above amounts alongside other capital charges. Once this was done, the Council showed a surplus of £6.2m. However of this, schools increased their reserves by £8.3m whilst the Council drew down £2m of reserves as per budget to mitigate against reductions in government grants and to provide for Icelandic bank losses, a portion of which will be credited back to reserves over the forthcoming years until the final wind-up of the banks concerned.

The actual surplus for the year against budget and shown in the Council's Management Accounts was £58k. A reconciliation between this and figures reported within the financial statements is shown in Note 26 on pages 73 and 74.

2010/11 saw the operations of Hillingdon Homes brought back in-house. This has been accounted for following the principles of merger accounting, resulting in an additional £1,494k of HH assets (retained earnings) being credited to HRA reserves.

FINANCIAL IMPLICATIONS

The financial implications are contained within the body of the report

LEGAL IMPLICATIONS

The legal implications are mentioned within the report.

BACKGROUND DOCUMENTS

None