



# AUDIT, PENSIONS AND STANDARDS COMMITTEE

27 September 2012

CONTRIBUTORS

FCS  
All Departments

**London Borough of Hammersmith and Fulham  
Statement of Accounts, including Pension  
Fund for 2011/12**

**WARDS  
All**

## Summary

This report gives a brief review of the Council's annual Statement of Accounts and the Council's Pension Fund Accounts for 2011/12. It also provides an overview of the recommendations arising from the audit of the accounts prior to the publication of the Audit Commission's formal opinion on those accounts. The Audit Commission's Annual Governance Reports 2011/12 are attached as appendices, along with the Statement of Accounts for approval.

## Recommendations

The Committee is asked to;

1. To note the content of the Auditor's Annual Governance Reports stating that the accounts will receive an unqualified opinion, are free from material misstatements, that the Council has an adequate internal control environment and has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
2. To note the Council's response to the Annual Governance Reports (AGR),
3. To approve the management representation letter (as included with the AGR).
4. To approve the Statement of Accounts for 2011/12.

## CONTACT

Jane West  
Executive Director of  
Finance & Corporate  
Governance,  
Hammersmith Town  
Hall.  
Tel: 020 8753 1900



## **1. Introduction**

- 1.1 In accordance with the Accounts and Audit Regulations 2011, the Council's audited year end Statement of Accounts must be approved by the Audit, Pensions and Standards Committee and published before the end of September.
- 1.2 The Audit Commission is required to report the findings from their audit in an Annual Governance Report to the Audit, Pensions and Standards Committee before their opinion on the accounts is issued.
- 1.3 The Audit Commission's Annual Governance Report (AGR) for Hammersmith and Fulham 2011/12 Audit is attached to this report (Appendix 2). It sets out the Audit Commission's findings from this year's audit relating to two main areas:
  - Financial Statements
  - Value for Money
- 1.4 This report gives a brief overview of the key points arising from the Statement of Accounts and summarises the issues included in the Annual Governance Report, and sets out the Council's response to the recommendations made therein. Attached as Appendix 1 is the Statement of Accounts for approval by the Audit, Pensions and Standards Committee.
- 1.5 The Audit Commission produce a separate Annual Governance Report for the Pension Fund (Appendix 3). This is discussed in paragraph 5 of this report.

## **2. Statement of Accounts 2011/12**

- 2.1 2011/12 is the second year that the Statement of Accounts have been produced in accordance with International Financial Reporting Standards (IFRS).
- 2.2 The Explanatory Foreword which starts on Page 8 of the Statement of Accounts gives an outline of the Council's financial activity during 2011/12. In summary the key points are:
  - A General Fund revenue account under-spend of £6.9m reflecting 1% net under-spending by departments after agreed carry forwards of budgets to 2012/13 of £3.4m.
  - A General Fund balance of £17.4m. Please note that the latest assessment of financial risks facing the Council is over £20m in 2013/14.
  - A Housing Revenue Account (HRA) surplus of £1.9m for the year, increasing its working balance by the same amount to £5.0m.
  - Earmarked reserves at 31 March 2012 of £52.4m (compared to £42.4m at 31 March 2011).
  - On 28 March 2012, as part of the national transition to HRA self-financing, the Government cancelled £197.4m of the Council's loans within the HRA.

- A stable balance sheet. Total net assets have increased, but this is substantially due to the cancellation of £197.5m of debt within the HRA under HRA reform, partially offset by an increased 'actuarial' pension liability of £95m (a figure which has, historically, been markedly volatile).
- Actual Capital expenditure of £64.3m.

Further details on the financial performance of all these elements can be found within the Statement of Accounts.

### **3. Annual Governance Report**

- 3.1 The Annual Governance Report (Appendix 2) summarises the findings from the Audit Commission's 2011/12 audit. The District Auditor states that he plans to issue an unqualified opinion on the audit statement. The auditor is required to identify specific risks and areas of judgment that he considered as part of the audit. The risks and the auditor's findings are listed on pages 6 and 7 of the AGR. The areas for improvements that the audit has found are identified on pages 8 and 9 together with the auditor's recommendations. All the recommendations together with the Council's comments are brought together in Appendix 4 of the AGR.
- 3.2 There were some amendments required to the original draft statement of accounts and these have been agreed with the auditor and incorporated in the Statement of Accounts attached as Appendix 1 to this report.
- 3.3 The District Auditor also asks the Committee and management for written representations about the financial statements and governance arrangements. To that end Members are asked to consider and approve the draft letter of representation included as Appendix 2 within the AGR.

### **4. Value for Money**

- 4.1 The District Auditor intends to issue an unqualified conclusion stating that the Council has proper arrangements to secure value for money. The auditor's conclusion criteria and findings are listed on pages 10 and 11 of the AGR. There is one recommended area of improvement, which is included, together with the Council's comments, in Appendix 4 of the AGR.

### **5. Pension Fund Annual Governance Report**

- 5.1 The Audit Commission is obliged to submit a separate Annual Governance Report for the Pension Fund. This is attached as Appendix 3. The District Auditor states he intends to issue an unqualified opinion. All non-trivial errors identified during the audit have been corrected, and there are no adjusted errors of significance to report. The auditor has made no recommendations in relation to the Pension Fund accounts. The Pension Fund accounts are included in the overall Statement of Accounts from Page 89 onwards.

## 6 List of Appendices

Appendix 1 – Annual Statement of Accounts (including Pension Fund)

Appendix 2 – Audit Commission Annual Governance Report (Main Financial Statements)

Appendix 3 – Audit Commission Annual Governance Report (Pension Fund)

### LIST OF BACKGROUND PAPERS

| No. | Description of Background Papers  | Name/Ext of Holder of File/Copy | Department/Location  |
|-----|---|---------------------------------|--|
| 1.  | LBHF Statement of Accounts 2011/12<br>Code of Practice on Local Authority Accounting 2011 | Christopher Harris<br>Ext 6440  | Corporate Finance<br>Floor 2, Hammersmith<br>Town Hall Extension |