



Hinckley and Bosworth Borough Council

Update to report to those charged with governance (ISA (UK&I) 260)

October 2012 update to the Finance, Audit and Performance Committee

This paper updates the Finance, Audit and Performance Committee on how the outstanding matters in the Hinckley and Bosworth Borough Council ISA (UK&I) 260 report that was presented to the Committee at its meeting on 10 September 2012 were resolved.

Outstanding matters

As is often the case when we write our ISA (UK&I) 260 report there were a small number of outstanding matters to be resolved. These outstanding matters were set out both in the covering letter to, and page 12 of, the ISA (UK&I) 260 report. We set out below for your information brief details on how each of these outstanding matters was resolved prior to issuing our audit opinion on 26 September 2012:

| Matter outstanding | Resolution |
|--|---|
| Receipt of rental agreements to support the valuation of two investment properties as well as a response to an outstanding query on the valuation of one property. | This information was received and all audit queries were resolved to our satisfaction. |
| Receipt and review of any amendments to the housing stock valuation. | This was received and resolved to our satisfaction. More details are set out in the paragraphs below. |
| Complete our review of the final post-audit set of financial statements. | We completed our review of the final version of the financial statements. |
| Receipt of outstanding bank confirmations from the relevant institutions. | Both bank confirmations were received and there were no audit issues arising. |
| Completion procedures including subsequent events review. | Completion procedures for the audit were completed satisfactorily to enable the audit opinion to be issued. |
| Receipt of all signed statements and management representation letter. | All relevant documents were received prior to signing our opinion. |
| Not receiving any electors' questions or objections relating to the 2011/12 financial statements prior to signing our audit opinion. | No questions or objections were received. |

Housing stock valuation

On page 5 of our ISA (UK&I) 260 report we set out the steps the Council had taken to address the recommendation we raised in the prior year to update its housing dwelling information.

The Council had completed the data collection for two thirds of its properties by the end of August 2012. At that point, the updated information was passed to the external valuer to determine the potential impact upon the housing stock valuation included in the 2011/12 accounts. The valuer calculated the impact upon the valuation based on the updated information provided by the Council. This led to a revised valuation of £105.6 million rather than the £105.4 million included in the accounts, a difference of £188,000.

The Council provided representations to us setting out that it was not minded to change its 2011/12 accounts for this updated valuation given that:

- the change was not material either to the valuation or the accounts as a whole;
- it was a late change to an estimate rather than being a factual misstatement; and
- the improved information will be reflected in the valuation obtained for the financial statements in 2012/13.

We were satisfied that the Council's 2011/12 financial statements were not materially misstated based upon the information received from the Council's external valuer on the potential impact upon the housing stock valuation resulting from the outcome of the survey of the Council's properties that had been completed at that time.

The Council subsequently completed its survey of properties in October 2012, except for 400 properties where access had not been possible on 3 separate occasions; data from similar properties will be used as a proxy in these instances. The findings from the completed exercise are consistent with the position at the end of August 2012 that was used to estimate the impact upon the 2011/12 accounts. The Council now plans to arrange a joint meeting between the Accountancy and Housing departments to ensure this data is used appropriately and consistently in the future.

Whole of Government Accounts Return

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the Audit Commission. The Council's financial statements were below the audit threshold above which we would be required to conduct full procedures on the return. Therefore, we were only required to report to the National Audit Office on some specific tests, and complete a short-form assurance statement. This work was completed prior to giving our opinion on the financial statements and the short-form assurance statement was submitted to the National Audit Office before the national deadline for submission. We had no issues to report.

Use of Resources/Value for Money Conclusion

The outstanding evidence that we referred to in our ISA (UK&I) report was received to our satisfaction. We obtained sufficient evidence that the Council had put proper arrangements in place to secure financial resilience and for challenging how it secures economy, efficiency and effectiveness in its use of resources. We therefore issued an unqualified conclusion on the Council's use of resources on 26 September 2012.

Completion of the audit

Following the resolution of the outstanding matters, we issued an unqualified audit opinion on the financial statements and an unqualified conclusion on the Council's use of resources on 26 September 2012. We issued our audit completion certificate at the same time. Our Annual Audit Letter will be presented to the Finance, Audit and Performance Committee at its meeting on 29 October 2012.