

Committee: Performance & Audit

Agenda Item

Date: 26 September 2013

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Title: 2012/13 Statement of Accounts

**Author: Stephen Joyce
Assistant Chief Executive - Finance**

Item for decision

Summary

1. Enclosed with the agenda is the audited Statement of Accounts for 2012/13 which the Committee is now requested to approve for publication.
2. The approval of the accounts should be considered in the context of the External Auditor's findings, as set out in their report elsewhere on the agenda.
3. The Committee reviewed the draft accounts in August. There are no adjustments to the Council's usable reserves or outturn results approved by Cabinet. This is the fourth successive year that this has been achieved. The Balance Sheet Net Assets figure is also unchanged.
4. The key differences between the draft accounts and the audited version are as follows:
 - a) New paragraph in the Explanatory Foreword (para 3.1d) to explain the movement in the Current Liabilities figure in the Balance Sheet, as requested by the Committee.
 - b) Additional narrative in the Explanatory Foreword (para 3.3) regarding the business rates write off, as requested by the Committee.
 - c) Additional information in the Explanatory Foreword (para 5.2) relating to the Council's staffing numbers, as requested by the Committee.
 - d) Addition of more detailed prior year comparative information within the Comprehensive Income & Expenditure Statement, as requested by the auditors.
 - e) Revisions to the Cash Flow Statement and notes 5.0-5.3, due to errors identified during the audit process.
 - f) Revisions to Note 2 (Adjustments between accounting basis and funding basis), Note 4.1 (Revaluation Reserve), Note 4.3 (Capital Adjustment Accounts) and Note 20 (Capital Expenditure & Financing), due to errors identified during the audit process.
 - g) Revisions to note 6.2 (Subjective Analysis) to clarify the presentation of support services recharges, as requested by the auditors.
 - h) A more detailed explanation of the Parking Partnership (note 16.4.2), as requested by the Committee.
 - i) Minor presentational improvements and correction of typographical errors.

5. As at the time of issuing this report (16 September) the audit of the accounts was believed to be complete. It is possible that additional issues may arise before the Committee meeting, if so these will be verbally reported. On 13 September the auditor received an objection to the accounts from a member of the public. The auditor will be required to consider the objection before issuing an audit completion certificate.
6. Assuming the accounts are approved by the Committee, the Chairman will be asked to sign the accounts to confirm that they have been approved. The auditor will sign the audit opinion shortly afterwards.
7. As is standard practice, the Council is required to issue a Letter of Representation to the External Auditor. The Committee is required to consider and approve the wording of this Letter. Accordingly, a draft letter is attached to this report.

Recommendations

8. The Committee is recommended to
 - a) approve the Letter of Representation as attached to this report.
 - b) approve the audited 2012/13 Statement of Accounts as presented with this report.

Financial Implications

9. None.

Background Papers

10. None.

Impact

Communication/Consultation	Close working between the Council and the External Auditor.
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	It is a legal requirement to publish the audited accounts by 30 September.
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Additional matters arise before the conclusion of the audit	1 (the audit is substantially complete)	3 (possible revisions and/or delays)	Close communication with the auditors Briefing of Committee members
Audit completion is delayed because of the objection received	2 (the objection was received late in the audit process)	2 (officers have no concerns regarding the substance of the objection, but the process of dealing with it may cause a delay. Reputation risk if the completion process goes beyond 30 September)	Close communication with the auditors Briefing of Committee members

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

DRAFT LETTER OF REPRESENTATION

Debbie Hanson
Ernst & Young LLP
One Cambridge Business Park
Cambridge CB4 0WZ

26 September 2013

Your ref:

Our ref:

Please ask for Stephen Joyce on 01799 510628
email: sjoyce@uttlesford.gov.uk

Dear Debbie

**UTTLESFORD DISTRICT COUNCIL – 2012/13 FINANCIAL YEAR
LETTER OF REPRESENTATION**

This representation letter is provided in connection with your audit of the financial statements of Uttlesford DC (“the Council”) for the year ended 31 March 2013. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Uttlesford DC as of 31 March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves

A. Financial Statements and Financial Records

1. The Council has fulfilled its responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).
2. The Council acknowledges its responsibility for the fair presentation of the financial statements. The Council believes that the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. I have approved the financial statements.

3. The Council confirms that the Assistant Chief Executive – Finance, as Responsible Officer, has:
 - Reviewed the accounts
 - Reviewed all relevant written assurances relating to the accounts, and
 - Made other enquiries as appropriate.
4. The Council confirms that the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. The Council believes that it has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.
6. The Council believes that the effects of any unadjusted audit differences, summarized below, accumulated during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The reasons that these differences identified by and brought to the attention from the auditor have not been corrected is that the amount of work necessary to investigate, confirm and correct the differences is disproportionate to their significance in terms of improving the users' understanding of the accounts. The items will be examined in 2013/14 and if deemed necessary, appropriate adjustments will be made in the 2013/14 Statement of Accounts.
 - a) Depreciation on IT assets £101,000 – notional item, not material, and no effect on the Council's revenue bottom line or usable reserves.
 - b) Capital Adjustment Account £122,000 – not material and would require extensive investigation to resolve. Query arose late in the audit process and it is not feasible to resolve it within the audit timetable. Possible favourable increase in HRA usable reserves. To be addressed in the 2013/14 accounts.
 - c) Collection Fund NNDR £321,000 – not material. Historic item requiring extensive investigation to resolve. Progress on this matter has been made and will be completed in 2013/14. Possible change in the amount of NNDR income to be accounted for in the Collection Fund.
 - d) Cash/Debtors £82,000 – not material, no effect on the Council's revenue bottom line, usable reserves or net assets.

B. Fraud

1. The Council acknowledges that it is responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. The Council has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. The Council has no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council internal controls over financial reporting. In addition, the Council has no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. The Council has no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. The Council has disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. The Council has provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. The Council confirms that all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. The Council has made available to us all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 12 September 2013.
4. The Council confirms the completeness of information provided regarding the identification of related parties. The Council has disclosed to you the identity of the Council related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. The Council has disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. The Council has informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. The Council has recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that you have given to third parties.

F. Subsequent Events

1. The Council confirms that other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. The Council believes that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - The Council believes the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - That the assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.
3. The estimate of the recoverable value of the Council's deposit with Landsbanki is based upon advice in the CIPFA LAAP82 bulletin. This is by consultation and agreement between the Council and the External Audit Team. LAAP82 is based on Landsbanki's own estimate of the dividend payable, and estimates by CIPFA and LGA of the timing of dividend payments. There is no independent or definitive information available to confirm the assumptions within LAAP82 and the possibility exists that the recoverable amount will differ from the amount declared in the accounts. It is not felt that any such difference arising would be material.

H. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Specific Representations

None.

Yours sincerely

Stephen Joyce
Assistant Chief Executive – Finance
On behalf of Uttlesford District Council

Letter approved by the Performance & Audit Committee on 26 September 2013