

REPORT TO: Business Efficiency Board

DATE: 24th September 2014

REPORTING OFFICER: Operational Director, Finance

PORTFOLIO: Resources

SUBJECT: 2013/14 Statement of Accounts, Audit Findings Report and Letter of Representation

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval for the Council's 2013/14 Statement of Accounts (the latest version of which is enclosed with the Agenda), to consider the report of the External Auditor (Grant Thornton) on the 2013/14 financial statements (The Audit Findings Report) and to approve the Council's Letter of Representation.
- 1.2 At the time of writing the report, the audit of the 2013/14 Statement of Accounts had not been finalised and any subsequent amendments will be approved by the Chair of the Business Efficiency Board in consultation with the Operational Director Finance

2.0 RECOMMENDED that;

- (i) the draft Letter of Representation in Appendix 1 be approved and any subsequent additions or amendments be approved by the Chair of the Business Efficiency Board in conjunction with the Operational Director Finance.**
- (ii) the External Auditor's draft 2013/14 Audit Findings Report be received and any subsequent additions or amendments be approved by the Chair of the Business Efficiency Board in conjunction with the Operational Director Finance.**
- (iii) the Council's draft 2013/14 Statement of Accounts be approved and any subsequent additions or amendments be approved by the Chair of the Business Efficiency Board in conjunction with the Operational Director Finance.**

3.0 BACKGROUND

- 3.1 The Statement of Accounts sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.
- 3.2 The format of the Statement of Accounts is heavily prescribed by the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting (The Code), which makes it a very technical document and not particularly easy to understand. Therefore the key elements are outlined below.
- 3.3 The Statement of Accounts for 2013/14 has been prepared in full compliance with International Financial Reporting Standards (IFRS) and there have been relatively few changes in the format from last year.
- 3.4 The draft 2013/14 Statement of Accounts was passed to the Council's External Auditor (Grant Thornton) on 1st July 2014, since when they have undertaken their audit. Grant Thornton will attend the meeting to present the report of their findings, the Audit Findings report.
- 3.5 Each year the Council is required to provide the External Auditor with a Letter of Representation relating to the financial statements, as shown in Appendix 1. This provides a number of assurances to the External Auditor in connection with the preparation of the Council's accounts. The letter is required to be signed by the Chairman of the Board on behalf of the Council.

4.0 KEY SECTIONS WITHIN THE STATEMENT OF ACCOUNTS

- 4.1 The Foreword by the Operational Director, Finance summarises the Council's financial performance for 2013/14, including revenue and capital spending.
- 4.2 In overall net terms the Council has underspent its 2013/14 revenue budget by £579,000. The overall outturn report was presented to Executive Board on 26th June 2014 and departmental outturn reports are available on the Council's Intranet. As a result the Council's General Fund Balance will increase by £579,000 to £8,646,000.
- 4.3 Capital expenditure was £38.5m compared with planned expenditure of £48.3m. This represents 80% delivery of the capital programme for which 20% slippage was anticipated throughout the year. The main areas of slippage were in respect of Widnes Recreation Site, Halton Lodge Bungalows, Ashley School and Disabled Access.
- 4.4 School balances have increased by £0.3m to £6.6m. In addition, £3.8m of unspent schools related funding is held centrally and will carry forward into 2014/15.

- 4.5 The Comprehensive Income and Expenditure Account presents gross expenditure, gross income and net expenditure for 2013/14 along with the previous year's comparison. These are shown for each of the service groupings prescribed in The Code. These service groupings do not necessarily relate directly to the Council's organisational structure, but are shown as such to provide consistency across all local authorities. The Net Cost of Services is adjusted by a number of appropriations to give the Total Comprehensive Income and Expenditure.
- 4.6 The Council's Balance Sheet sets out the Council's financial position as at 31st March 2014, along with the previous year's comparison and the restated Balance Sheet position as at 31st March 2012
- 4.7 The Movement in Reserves Statement presents a summary of the changes in the Council's main reserves during the year.
- 4.8 The Cashflow Statement provides an overall analysis of the movements in cash and cash equivalents during the year.
- 4.9 Detailed notes relating to items within the Comprehensive Income and Expenditure Account, Balance Sheet, Movement in Reserves Statement and Cashflow Statement are shown under Notes to the Core Financial Statements.
- 4.10 The Collection Fund and associated notes summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to the Council's own General Fund, to central government (non-domestic rates only) and to the Precepting Authorities (Fire, Police and Parishes).
- 4.11 The Group Accounts and associated notes present the consolidation of the Council's accounts with those of Halton Transport Limited.
- 4.12 The Statement of Responsibilities outlines the basis upon which the Statement of Accounts has been prepared and is followed by a statement of the Council's Accounting Policies. There have been relatively few changes to the Council's accounting policies this year, which have all been minor.
- 4.13 The External Auditor use the draft Statement of Accounts as the basis for undertaking the annual audit of accounts, for which their Audit Report and Certificate is included within the final Statement of Accounts.
- 4.14 The final section presented within the Statement of Accounts is a Glossary of Terms.

5.0 NEXT STEPS

5.1 Following the meeting, the Letter of Representation will be signed and the External Auditor will provide their audit opinion. The Statement of Accounts will then be published along with a brief Summary, with copies being made available to the public via the Council's website.

6.0 POLICY IMPLICATIONS

6.1 None.

7.0 OTHER IMPLICATIONS

7.1 None.

8.0 RISK ANALYSIS

8.1 The Accounts and Audit Regulations require that the Statement of Accounts is certified by the External Auditor and published by 30th September 2014.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Accounts and Audit Regulations 2011	Kingsway House Kingsway Widnes	Steve Baker Divisional Manager, Financial Management
Code of Practice on Local Authority Accounting in the UK 2013/14	Kingsway House Kingsway Widnes	Steve Baker Divisional Manager, Financial Management

APPENDIX 1

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS
24th September 2014

Dear Sirs

Halton Borough Council

Group Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the group financial statements of Halton Borough Council and its subsidiary undertaking, Halton Borough Transport Ltd, for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii. We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the group financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi. We are satisfied that the material judgements used by us in the preparation of the group financial statements are soundly based, in accordance with the Code, and adequately disclosed in the group financial statements. There are no further material judgements that need to be disclosed.

- vii. Except as stated in the group financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x. All events subsequent to the date of the group financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. In particular we are satisfied that the possible claim in respect of a planning appeal where the Planning Inspectorate awarded costs to the appellant to be payable by the Council is now disclosed as a contingent liability in accordance with the requirements of International Financial Reporting Standards.
- xii. We have not adjusted two of the misstatements brought to our attention in the Audit Findings Report, as they are considered to be immaterial to the results of the Council and its financial position at the year-end. More detail is set out at Appendix 2 to this letter. The group financial statements are free of material misstatements, including omissions.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group financial statements.
- xiv. We believe that the group financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group's needs. We believe that no further disclosures relating to the group's ability to continue as a going concern need to be made in the group financial statements.

We are satisfied that the prior period adjustments made in respect of Post-employment benefits – changes to IAS 19, Mersey Gateway Land Acquisition Costs and Restatement of £10m Eurohypo Loan are in accordance with the requirements of International Auditing Standards and International Financial Reporting Standards.

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.

- xvii. All transactions have been recorded in the accounting records and are reflected in the group financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the group financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's group financial statements communicated by employees, former employees, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing group financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS. [o/s]

Approval

The approval of this letter of representation was minuted by the Council's Business Efficiency Board at its meeting on 24 September 2014.

Signed on behalf of the Board

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....