

<b>Report to</b>	<b>Governance Committee</b>
<b>Date</b>	<b>18 September 2014</b>
<b>By</b>	<b>Chief Finance Officer</b>
<b>Title of Report</b>	<b>Letter of Representation and Audited Statement of Accounts 2013/14</b>
<b>Purpose of Report</b>	<b>To recommend to Committee the Letter Of Representation and the revised Statement of Accounts 2013/14.</b>

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**Recommendation: The Committee is recommended to:**

- 1) Note the findings of the external auditor (Ernst & Young) in their Audit Results Report elsewhere on this agenda.**
  - 2) Note the results of the public inspection of the accounts detailed in paragraph 6.3.**
  - 3) Approve the Letter of Representation as detailed in Appendix 1.**
  - 4) Approve the audited Statement of Accounts for 2013/14 as detailed in Appendix 4.**
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**1. Introduction**

- 1.1 Under the Accounts and Audit Regulations 2011, the South Downs National Park Authority's Statement of Accounts for 2013/14 must be approved by Members by the 30 September 2014. Under the Committee's terms of reference, the Governance Committee is charged with this responsibility.
- 1.2 The external auditor (Ernst & Young) is required to give assurance that the Statement of Accounts is free from material misstatement and to report significant matters arising from the audit.
- 1.3 The external auditor has conducted their audit of the Statement of Accounts and has recommended that a small number of disclosure misstatements in **Appendix 3** be corrected prior to issuing their opinion and the publication of the accounts.
- 1.4 This report presents the revised 2013/14 Statement of Accounts in **Appendix 4** following the audit. It outlines the amendments made to the statements since they were originally produced at the end of June and provides assurances to the Governance Committee in relation to the preparation of the Statement of Accounts. It also informs the Committee of the outcome of the public inspection of the accounts.

**2. Background**

- 2.1 The main legislative requirements relating to the preparation, publication and audit of the Authority's accounts are contained in the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011 made under section 27 of the 1998 Act.
- 2.2 It is a requirement that the annual accounts should be prepared as soon as practicable after the end of the financial year, and considered and approved by a resolution of that Committee or full Authority by the 30 September. Therefore the accounts must be published and signed off by the external auditor as soon as reasonably possible after the conclusion of the audit and by the 30 September.

### **3. Format of the Statement of Accounts**

- 3.1 The Authority is required to present its financial statements in a Financial Reporting Standards (IFRS) basis in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2013 to 31 March 2014.
- 3.2 The purpose of the Statement of Accounts is to provide information to a whole range of stakeholders and the general public about the financial position, financial performance and cash flows of the Authority and to provide answers to basic questions such as:
- What did the Authority's services and capital programme cost in 2013/14?
  - Where did the money come from?
  - What does the Authority own?
  - What commitments does the Authority have and what provisions and reserves has the Authority set against these?
  - What amounts were due and what was owned at the end of the financial year?
- 3.3 In accordance with the Accounts and Audit Regulations, the Statement of Accounts includes an explanatory foreword, a statement of responsibilities together with the core financial statements, supplementary statements, the notes to the accounts and accounting policies.
- 3.4 The Statement of Accounts would normally comprise both "Single Entity Accounts", which are in respect of wholly owned Authority controlled activities, and "Group Accounts" in respect of activities where the Authority has a significant interest or share in a subsidiary, associate or joint venture. However, as at last year, there are no activities requiring the preparation of Group Accounts in 2013/14.
- 3.5 The Single Entity core financial statements included within the Statement of Accounts comprise the following:-
- Movements in Reserves Statement
  - Comprehensive Income and Expenditure Statement
  - Balance Sheet
  - Cash Flow Statement
  - Notes to the Financial Statements
  - Statement of Accounting Policies
- 3.6 The explanatory foreword included in the Statement of Accounts aims to offer interested parties an easily understandable guide to the most significant matters reported in the accounts. A brief commentary on the key aspects of the 2013/14 Statement of Accounts is included in **Appendix 2** to this report.

### **4. Preparation of the Statement of Accounts**

- 4.1 The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2013/14 (the Code) , issued by CIPFA. There has been no deviation from the requirements of the Code and all accounting policies adopted by the Authority for the 2013/14 Statement of Accounts are in line with the requirements of the Code.
- 4.2 The accounts have been prepared by appropriately qualified and trained officers from Brighton & Hove City Council as the Authority's financial support service provider. Finance officers who are involved in the preparation of the Statement of Accounts attend regular training to ensure they maintain an up to date knowledge of requirements and continuous professional development.
- 4.3 Officers have made reference to CIPFA's Practitioner's Guidance Notes, disclosure checklists and other technical guidance in preparing the Statement of Accounts to ensure compliance with all statutory and other regulatory requirements.

- 4.4 The Authority makes a number of critical judgements, accounting estimates and assumptions in the preparation of the financial statements; the details are disclosed in note 3 to the financial statements.
- 4.5 As part of the accounts preparation process, a full review of the financial statements, notes and critical accounting transactions was undertaken by senior officers of Brighton and Hove City Council. Following this review, the Un-audited Statement of Accounts was then approved by the Chief Finance Officer to be issued for public inspection and audit.
- 4.6 During the accounts audit process, officers liaise closely with the external auditor in respect of audit queries and work closely to ensure prompt and successful resolution of these queries. During the audit of the 2013/14 accounts, there have been no disputes between officers and the external auditor over required amendments to the accounts.
- 4.7 The revised Statement of Accounts is included in **Appendix 4**.

## **5. Audit of the Statement of Accounts**

- 5.1 The Auditor has completed the audit of the Authority's accounts and their Audit Results Report forms part of this Committee's agenda. The Auditors are responsible for:
- Forming an opinion on the financial statements
  - Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources and
  - Undertaking any other work specified by the Audit Commission.
- 5.2 Compilation of the financial statements relies on data extracted from the financial systems operated by Brighton & Hove City Council, as financial support service provider, and the Authority, including those systems which interface into the financial system. It is therefore important for the external auditor to be satisfied that these systems have adequate controls in place so that assurance can be given on the integrity of the information held within them.
- 5.3 The Audit Results Report for 2013/14 states that an unqualified audit opinion will be issued and that the Authority has proper arrangements in place to secure value for money in its use of resources. There are no specific recommendations identified and it was noted that good progress has been made to improve the control environment for planning fee income which was raised as a significant risk in 2012/13.

## **6. Public Inspection of the Accounts**

- 6.1 The period for inspection was 23 June 2014 to 18 July 2014. Members of the public, in accordance with the Audit Commission Act 1998, should be granted access for a 4 week period to the Authority's Un-audited Statement of Accounts and are invited to enquire on any aspect of the Accounts.
- 6.2 If a member of the public is not satisfied with the response received, they are able to lodge a formal objection to the Accounts with the external auditors, Ernst & Young.
- 6.3 Members are advised that the Authority received no enquiries in respect of its Accounts.

## **7. Resources**

- 7.1 There are no resource implications arising from this report.

## **8. Risk Management**

- 8.1 There are no implications arising from this report.

## **9. Human Rights, Equalities, Health & Safety**

- 9.1 There has been no direct risk assessment for this report.

## **10. Sustainability**

- 10.1 There are no implications arising from this report.

## II. External Consultees

II.1 None

### **CATHERINE VAUGHAN CHIEF FINANCE OFFICER**

Contact Officer:	Michelle Herrington, Acting Head of Finance
Tel:	01273 291507
email:	<a href="mailto:michelle.herrington@brighton-hove.gcsx.gov.uk">michelle.herrington@brighton-hove.gcsx.gov.uk</a>
Appendices	Appendix 1 – Letter of Representation Appendix 2 – Commentary of the Statement of Accounts Appendix 3 – Details of amendments to the Statement of Accounts Appendix 4 – Statement of Accounts 2013/14
SDNPA Consultees	Monitoring Officer, Chief Executive Officer, Strategy and Partnerships, Director of Planning, Director of Operations, Monitoring Officer
Background Documents	None

## Letter of Representation

Helen Thompson  
Director  
Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB

### **South Downs National Park – 2013/14 Financial Year**

*I confirm to the best of my knowledge and belief, having made appropriate enquiries of the Senior Management Team of **South Downs National Park**, the following representations given to you in connection with your audit of the authority's financial statements for the year ended 31 March 2014:*

#### **A. Financial Statements and Financial Records**

I have fulfilled my 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).

I acknowledge my responsibility for the fair presentation of the financial statements. I believe 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.

I confirm that as the CFO I have:

- Reviewed the accounts;
- Reviewed all relevant written assurances relating to the accounts; and
- Made other enquiries as appropriate.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

I believe that the Authority 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.

#### **B. Fraud**

I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.

I have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the council's internal controls over financial reporting. In addition, I have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. I have 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**

I have 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**

I have provided you with:

- Access to all information of which you 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.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

I have made available to you all minutes of the meetings of the Authority 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: 18 September 2013.

I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Authority related parties and all related party relationships and transactions of which I am 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.

I have disclosed to you, and the Authority 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**

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.

I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

I have 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 I have given to third parties.

## **F. Subsequent Events**

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**

I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.

In respect of accounting estimates recognised or disclosed in the financial statements:

- I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent;
- The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework;
- The assumptions used in making accounting estimates appropriately reflects my intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;
- No subsequent event requires an adjustment to the accounting estimates and disclosures

included in the financial statements.

#### **H. Retirement benefits**

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

#### **I. Segmental reporting**

I have reviewed the operating segments reported internally to the management team and the Authority and I am satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:

- The nature of the products and services;
- The nature of the production processes;
- The type or class of customer for their products and services;
- The methods used to distribute their products.

#### **J. Going Concern**

I have made you aware of any issues that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

*Signed on behalf of South Downs National Park*

*I confirm that this letter has been discussed and agreed by the Governance Committee on 18 September 2014*

*Signed:*

Name: Catherine Vaughan  
Position: Chief Finance Officer  
Date: 18 September 2014

*Signed:*

### Commentary on the Statement of Accounts

#### Movement in Reserves Statement

The level of General Fund balance held at 31 March 2014 was £0.821 million; this includes £0.650m working balance of the Authority which was deemed appropriate by the Authority's Chief Finance Officer for the financial year 2013/14. The working balance is to be reduced in 2014/15 in accordance with the budget strategy to reflect the reducing level of National Park Grant funding. There are also Earmarked Reserves of £3,465 million which represents funding that has been set aside for specific purposes. Detailed of the Earmarked Reserves held can be found in the note 8 to the financial statements.

#### Segmental Reporting

The Code includes a requirement to disclose segmental reporting information with the aim to disclose information to enable users of the Authority's financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates. Information on reportable operating segments is presented in note 25 and includes the following:

- An analysis of the income and expenditure for each segment.
- A reconciliation between the segment reporting analysis and the cost of services in the Comprehensive Income and Expenditure Statement.
- A reconciliation between the segment reporting analysis and an analysis of total income and expenditure (i.e. an analysis by subject).
- Information on services included within each operating segment.

The operating segments for 2013/14 are based on the service structure for the 2013/14 budgeted financial information reported and reflect the operational management structure at Director level. The in year financial information is reported at a more detailed level.

#### Balance Sheet

This statement is particularly technical, which is unavoidable given the requirement to comply with the Code and the complex capital accounting, financial instrument and pension reporting standards. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

#### Non-Current Assets

The level of non-current assets (property, plant and equipment) was £3.881 million as at 31 March 14. The in year movement in non-current assets is detailed in note 13 to the core financial statements. The increase in movement of £2.684 million relates to the following:

- Increase of £2.563 million for the refurbishment of the South Downs Centre
- Increase of £0.153 million net for the additions and disposals of vehicles
- Decrease of £0.032 million for depreciation and impairment losses on vehicles.

#### Investments

At 31 March 2014, the Authority had a net cash balance of £5.511 million including cash and cash equivalents of £5.698 million offset by £0.187 million overdrawn bank account. Investments are made by the treasury team at Brighton and Hove City Council under the Financial Support Service contract. Note 26 to the financial statements provide further information on investments. The bank account is usually maintained at a maximum daily balance of £50,000 to reduce the risk of exposure, however the daily transfer was not actioned on 31 March 2014 due to unforeseen circumstances resulting in the Authority's bank account being £0.187 million overdrawn at the Balance Sheet date; the Authority has not been charged interest on this position.

#### Pension Liabilities

The pension liability (net of pension assets) was £0.625 million at 31 March 2014. The Authority also recognises a reserve for the expected net pension liability. Therefore, amounts included in the



Authority's accounts in relation to post employment benefits have no effect on the overall financial position as the liability is offset by a Pensions Reserve.

### **Provisions**

Provisions have been made in the accounts for liabilities existing at 31 March 2014 that are reasonably certain and can be estimated with reasonable accuracy. Provisions are included for Accumulated Absences of £0.053 million. This relates to employee's accumulated compensated absences (e.g. annual leave and flexi-leave) that are carried forward for use in future accounting periods where the current period's entitlements are not used in full.

## **Agenda Item 10 Report GOV20/14 Appendix 3**

### **Details of Amendments to the Statement of Accounts**

A small number of disclosure amendments were identified during the course of the audit which have been corrected.

All misstatements identified above £12,700 would require amendment. There were no corrected or uncorrected misstatements over this sum identified during the course of the audit. However there was one change above this level regarding the classification of creditors that was identified by the Authority and has been corrected.

The valuation of the South Downs Centre was in hand at the time of the audit and the relevant note has been updated as below:

#### **Note 5 Events after the reporting period**

The South Downs Centre became fully operational in April 2014. A valuation is currently being commissioned. Details of the valuation are not expected until the end of September.