

Agenda Item 9
Report SAC16/13

Report to: **Standards and Audit Committee**
 Date: **24 September 2013**
 By: **Chief Finance Officer**
 Title of Report: **Letter of Representation and Statement of Accounts 2012/13**
 Purpose of Report: **To recommend to the Committee the Letter of Representation and the revised Statement of Accounts 2012/13.**

The Committee is recommended to :

- a) note the findings of the external auditor (Ernst & Young) in their Audit Results Report elsewhere on this agenda.**
 - b) note the results of the public inspection of the accounts detailed in paragraph 6.3.**
 - c) approve the letter of representation as detailed in Appendix 1.**
 - d) approve the audited Statement of Accounts for 2012/13 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 2012/13 must be approved by Members by the 30 September 2013. Under the Committee's terms of reference, the Standards and Audit 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 only a relatively small number of adjustments prior to issuing their opinion and the publication of the accounts.
- 1.4 This report presents the revised 2012/13 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 Standards and Audit 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 the 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 2012/13 (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and cover the period 1 April 2012 to 31 March 2013.

- 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 2012/13?
 - 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 owed 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 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 entity. However, as last year, there are no other activities requiring the preparation of Group Accounts in 2012/13.
- 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 2012/13 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 2012/13, issued by CIPFA (the Code). There has been no deviation from the requirements of the Code and all accounting policies adopted by the Authority for the 2012/13 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. Officers also liaise closely with the external auditor during the preparation of the financial statements and during the audit of the accounts to ensure prompt and successful resolution of any queries.
- 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 & Hove City Council. Following this review, the Un-audited Statement of Accounts were 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 2012/13 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 2012/13

- 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 2012/13 states that an unqualified audit opinion will be issued and that only one significant risk was identified in relation to Planning Income.

- 5.4 From 2012/13 the Authority was able to receive planning income payments direct for online payments (rather than collecting the income from the local planning authorities on a quarterly basis), together with all cash and cheques payments for those areas now managed by the Authority. The authority has experienced a number of problems during the year in relation to the reconciliation, recording and collection of all planning income due to resourcing, IT issues with systems interfacing with each other and because income was being collected by both the Park and local planning authorities. The resourcing and IT issues have now been resolved and officers are currently working on implementing processes to ensure all cheque payments, online payments and telephone payments will be received directly by the Park from October 2013 which will greatly reduce the complexity of future reconciliations.

6 Public Inspection of the Accounts

- 6.1 The period for inspection was 24 June 2013 to 19 July 2013. 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. However, for 2012/13 the Authority made the accounts available for inspection for 17 rather than 20 working days but the Auditors having considered this issue are satisfied that there was no significant impact on local electors rights.

- 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 from this report.

8 Risk Management

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

9 Human Rights, Equalities, Health and Safety

- 9.1 There are no implications arising from this report.

10 External Consultees.

10.1 None.

CATHERINE VAUGHAN

Chief Finance Officer

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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 2012/13

SDNPA Consultees Monitoring Officer, Strategic Management Team

Background Documents None

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Letter of Representation

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

South Downs National Park – 2012/13 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 2013:*

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: 24 September 2013.

I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the council 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 council 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 council'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 Standards and Audit Committee on 24 September 2013

Signed:

Name: Catherine Vaughan
Position: Chief Finance Officer
Date: 24 September 2013

Signed:

Norman Dingemans
Chair
Standards and Audit Committee
Date: 24 September 2013

Commentary on the Statement of Accounts

Movement in Reserves Statement

The level of General Fund balance held at 31 March 2013 was £0.669 million; this represents the working balance of the Authority and is deemed appropriate by the Authority's Chief Finance Officer. In addition, there are also earmarked reserves of £5.364 million which represent funding that has been set aside for a specific purpose. Details of Earmarked Reserves held can be found in the note 7 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 22 and includes the following;

- An analysis of the income and expenditure for each segment which includes those items of income and expenditure that are reported as part of the Authority's internal management reporting;
- 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. a subjective analysis);
- Information on services included within each operating segment.

Reportable operating segments are based on the Authority's internal management reporting.

Balance Sheet

This statement is particularly technical, which is unavoidable given the requirement to observe the requirement of 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 £1.206 million as at 31 March 2013. The in-year movement in non current assets is detailed in note 11 to the core financial statements. The increase in movement of £1.035 million relates to the following:

- New additions of £0.012 million for a mower and £1.057 million for South Downs Centre.
- Depreciation on vehicles of £0.034 million

Investments

At 31 March 2013, the Authority had cash and cash equivalents totalling £7.169 million. Investments are made by the treasury team at Brighton & Hove City Council under the Financial Support Service contract. Note 23 to the financial statements provides further information on investments.

Pension Liability

The pension liability (net of pension assets) was £0.478 million at 31 March 2013. 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 the 31 March 2013 that are reasonably certain and can be estimated with reasonable accuracy. Provisions are included for Accumulated Absences of £0.057 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.

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Details of Amendments to the Statement of Accounts

Comprehensive Income and Expenditure Statement

Planning income was overstated by £22,000 which was identified following the final reconciliation of the quarter 4 income. The correction made to the accounts has reduced the reported surplus for the year and required corrections to be made to a number of associated notes.

Note 18 Officer's Remuneration

The original note did not fully meet disclosure requirements of the Code of Practice and contained errors in the disclosure of staff numbers for 2011/12. This has been corrected.

Note 24 Debtors & note 25 Creditors

The original note included misclassification of debtors (£572,000) and creditors (£13,000) between the reported categories which has now been corrected.