

**SUPPLEMENTARY REPORT FOR
CABINET
Thursday, 11 September 2014 at 7.30 pm
Council Chamber, Civic Centre**

The attached documents are due to be considered at the meeting listed above and were unavailable for circulation when the agenda for the meeting was published. The agenda items to which the documents relate is noted below.

18. Communications from Committees/Working Groups/Parties and Panels

- b) Referral from Audit and Standards Committee - Management Letter of Representation 2013/14 (Pages 1 - 9)

- c) Referral from Audit and Standards Committee - Audited Annual Accounts 2013/14 (Pages 10 - 13)

REPORT TO: CABINET

DATE: 11 SEPTEMBER 2014

TITLE: REFERRAL FROM AUDIT AND STANDARDS COMMITTEE - MANAGEMENT LETTER OF REPRESENTATION 2013/14

PORTFOLIO HOLDER: COUNCILLOR MIKE DANVERS

LEAD OFFICERS: BRIAN KEANE, INTERIM HEAD OF GOVERNANCE (01279) 446037

SIMON FREEMAN, HEAD OF FINANCE (01279) 446228

**This is not a Key Decision
Call-in Procedures may apply
This decision will affect no ward specifically.**

RECOMMENDED that Cabinet acknowledge the Management Letter of Representation 2013/14.

REASON FOR DECISION

- A** International Standards on Auditing (ISA) guidance requires that the Council provides a “Letter of Representation” from the person with specific responsibility for the financial statements (the Council’s s151 Officer). The purpose of the Letter is to obtain written representation on matters where the auditor is relying on the judgement of management rather than corroborative evidence.
- B** The Audit and Standards Committee considered a report on the Management Letter of Representation 2013/14 at its meeting in September 2014. The Committee agreed the Letter, and asked that the Cabinet acknowledge it.

BACKGROUND

1. At its meeting on 3 September 2014, the Audit and Standards Committee received a report that presented the Management Letter of Representation 2013/14. The original report that was considered by the Committee is attached as Appendix A to this report.
2. The Audit and Standards Committee has made a recommendation to the

Cabinet as indicated at the start of this report.

IMPLICATIONS

Implications of the recommended decision are outlined in the 'Implications' section of the original report, which is attached as Appendix A.

APPENDICES

Appendix A – Original report to the Audit and Standards Committee, 'Management Letter of Representation 2013/14' covering report. Incorporating:
Appendix 1 - Management Letter of Representation 2013/14.

BACKGROUND PAPERS

All original reports to the Audit and Standards Committee can be viewed from <http://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=120&MId=494&Ver=4>

REPORT TO **AUDIT AND STANDARDS COMMITTEE**

DATE: **3 SEPTEMBER 2014**

TITLE: **MANAGEMENT LETTER OF REPRESENTATION
2013/14**

LEAD OFFICERS: **SIMON FREEMAN – HEAD OF FINANCE
(01279 446228)**

RECOMMENDED that the Committee notes the draft Letter of Representation attached at Appendix 1, which is to be formally acknowledged by Cabinet at its meeting on 11 September 2014.

BACKGROUND

1. International Standards on Auditing (ISA) guidance requires that the Council provides a “Letter of Representation” from the person with specific responsibility for the financial statements (the Council’s s151 Officer). The purpose of the letter is to obtain written representation on matters where the Auditor is relying on the judgement of management rather than on corroborative evidence.
2. The draft Letter of Representation pertaining to the 2013/14 financial statements is attached at Appendix 1. The final letter will be issued upon the Cabinet’s approval of the final Statement of Accounts at its meeting of 11 September, and formally signed by the Head of Finance and the Chair of Audit and Standards Committee.

IMPLICATIONS

Regeneration (includes Sustainability)

None specific.

Author: **Graeme Bloomer, Head of Regeneration**

Finance (includes ICT)

The Letter of Representation provides assurance to the Council’s appointed auditors on matters that are not capable of independent scrutiny or that are subjective. It forms an essential part of the overall governance arrangements for the Council’s financial conduct.

Author: **Simon Freeman, Head of Finance**

Housing

None specific.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Equalities and Social Inclusion)

None specific.

Author: **Graham Branchett, Chief Operating Officer**

Governance (includes HR)

None specific.

Author: **Brian Keane, Head of Governance**

BACKGROUND PAPERS

None.

APPENDIX 1

Harlow Council
Finance Department
Civic Centre
The Water Gardens
College Square
Harlow
Essex CM20 1WG

Date 18 September 2014

Debbie Hanson
Audit Director
Ernst & Young
400 Capability Green
Luton
LU1 3LU

This representation letter is provided in connection with your audit of the financial statements of Harlow District Council (“the Council”) for the year ended 31 March 2014. 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 Harlow District Council as at 31 March 2014 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 2013/14.

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. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 that are free from material misstatement, whether due to fraud or error.
5. There is one unadjusted audit difference identified during the current audit and pertaining to the latest period presented, details of which are set out in Annex 1 attached to this letter.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We 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, we 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. We 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

1. We have disclosed to you all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware 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. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, and committees, including Full Council, Cabinet and Audit & Standards Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting, which was held on 24 July 2014.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's 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. We have 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. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 40 to the financial statements all guarantees that we have given to third parties.
4. A provision has been made for the Environmental Information Regulations, Business Rates Appeals, and Claims for Damages for the combined sum of £2,018,000, which has been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Events after the balance sheet date are described in Note 5 to 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. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we 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 we used in making accounting estimates appropriately reflect our 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

1. 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.

2. The Essex Pensions fund is responsible for providing member authorities with information under International accounting Standard 19 (IAS19). The Council received this information and incorporated it into the Statement of Accounts as part of the normal year-end closure process. Subsequently in late July the Council was notified by the Pension Fund that there were errors in the IAS disclosure information in relation to the investment returns on the fund's assets resulting in a new IAS19 disclosure report being issued. The adjustment involved an increase in the asset values of the fund to the value of £582,000 and an equivalent reduction in the fund liabilities. The lateness of the notification has been discussed with the Council's Auditor and having reviewed the new disclosure information it has been confirmed that there is no impact on the Council's reserves or the Income and Expenditure Account. The Auditor agreed with the Council's decision not to amend the accounts for this late change and therefore the accounts have not been adjusted for the revised IAS19 disclosure.

I. Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the Value of Property and the Pension Fund and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

J. Going Concern

1. We 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.

Yours faithfully,

Head of Finance

I confirm that this letter has been discussed and agreed at the Audit & Standards Committee on 3 September 2014.

Chairman of Audit & Standards Committee

Unadjusted misstatements in the accounts

| Accounts affected | Description of error | Value of error (£'000) |
|--|--|------------------------|
| Balance Sheet | <p>Following final production of the draft Statement of Accounts, Essex County Council advised that the figure they had reported for the investment return on the Pension Fund was understated. Their Custodian has subsequently recalculated the number. The net impact on the Balance Sheet is nil, and there is no impact upon the Council's financial reserves and balances. The resulting misstatements in the Balance Sheet are as follows:</p> <p>Other Long-term Liabilities Unusable Reserves</p> | <p>582 (582)</p> |
| Comprehensive Income and Expenditure Statement (CI&ES) | <p>Due to the above Pension Fund error, the resulting misstatement in the CI&S is:</p> <p>Actuarial (Gains)/ Losses on Pension Assets</p> | <p>(582)</p> |
| Movement in Reserves Statement | <p>Due to the above Pension Fund error, the resulting misstatement in the CI&S is:</p> <p>Movement in Reserves, Other Comprehensive I&E</p> | <p>582</p> |

REPORT TO: CABINET

DATE: 11 SEPTEMBER 2014

TITLE: REFERRAL FROM AUDIT AND STANDARDS
COMMITTEE - AUDITED ANNUAL ACCOUNTS
2013/14

PORTFOLIO HOLDER: COUNCILLOR MIKE DANVERS

LEAD OFFICERS: BRIAN KEANE, INTERIM HEAD OF
GOVERNANCE (01279) 446037

SIMON FREEMAN, HEAD OF FINANCE (01279)
446228

**This is not a Key Decision
Call-in Procedures may apply
This decision will affect no ward specifically.**

RECOMMENDED that the 2013/14 Statement of Accounts is approved.

REASON FOR DECISION

- A** The Audit and Standards Committee considered a report on the Statement of Accounts 2013/14 at its meeting in September 2014 and has recommended that the Cabinet approve it.
- B** Approval of the Statement of Accounts 2013/14 is necessary to comply with accounting regulations.

BACKGROUND

1. At its meeting on 3 September 2014, the Audit and Standards Committee received a report that presented the draft Statement of Accounts 2013/14. The original report that was considered by the Committee is attached as Appendix A to this report.
2. The Head of Finance informed the Committee that a number of adjustments must be made to the draft Statement of Accounts circulated with the agenda reports pack, and tabled an addendum which detailed those changes. The Head of Finance also advised that a further adjustment, not included in the tabled addendum, must be made in relation to the provision of business rate appeals. The Committee agreed the adjustments detailed in the tabled addendum and authorised the Head of Finance to make the adjustment in relation to business rate appeals in consultation with the Chairman and

Councillor Simon Carter.

3. The Committee therefore:

RESOLVED that the audited 2013/14 Statement of Accounts are noted and referred to the Cabinet for approval subject to the inclusion of the amendments highlighted in the tabled addendum and also to a further adjustment in relation to the provision of business rate appeals, to be agreed by the Head of Finance in consultation with the Chairman and Councillor Simon Carter.

4. Officers will be on hand at the meeting to advise the Cabinet on the decision of the Head of Finance regarding the adjustment in relation to the provision of business rate appeals and whether this necessitates a change to the Statement recommended for approval.

5. A revised draft 2013/14 Statement of Accounts has now been prepared that includes all adjustments agreed by the Audit and Standards Committee and the further adjustment in relation to the provision of business rate appeals. The revised draft 2013/14 Statement of Accounts can be viewed from the Council's website at <http://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=121&MId=561&Ver=4>

IMPLICATIONS

Implications of the recommended decision are outlined in the 'Implications' section of the original report, which is attached as Appendix A.

APPENDICES

Appendix A – Original report to the Audit and Standards Committee, 'Audited Annual Accounts 2013/14' covering report.

The revised draft 2013/14 Statement of Accounts has not been reproduced in this supplement due to its large size. Councillors can view the revised draft Statement of Accounts 2013/14 at <http://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=121&MId=561&Ver=4>. A copy of the revised draft Statement has also been placed in the Members' Suite at the Civic Centre.

BACKGROUND PAPERS

All original reports to the Audit and Standards Committee can be viewed from <http://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=120&MId=494&Ver=4>

REPORT TO **AUDIT AND STANDARDS COMMITTEE**

DATE: **3 SEPTEMBER 2014**

TITLE: **AUDITED ANNUAL ACCOUNTS 2013/14**

LEAD OFFICERS: **SIMON FREEMAN – HEAD OF FINANCE**
(01279 446228)

RECOMMENDED that

A The Committee notes the 2013/14 Statement of Accounts presented as Appendix 1 to this report and recommends that Cabinet approve them at their meeting on 11 September 2014 subject to any comments the Committee may wish to bring to the attention of the Cabinet;

B The Committee notes that the audit of the accounts is to continue after the time of writing this report, and that the external auditor shall present an update to the meeting of this Committee.

BACKGROUND

1. The Statement of Accounts are an important part of the Council's overall financial control and reporting environment which must be presented to an appropriate committee of the Council and approved to comply with the requirements of the accounting regulations.
2. Draft statements were produced by the required statutory deadline of 30 June 2014 and these have been available on the Council's website since that date.
3. The appointed external auditor, Ernst and Young LLP, has been carrying out the annual audit since June and the draft accounts have been available for public inspection.
4. The audit process has extended beyond the time of preparing this report with some residual issues to be examined. The external auditor will, as a result, provide Members of this Committee with an update of their progress in their concluding audit work.

IMPLICATIONS

Regeneration (includes Sustainability)

None specific.

Author: **Graeme Bloomer, Head of Regeneration**

Finance (includes ICT)

The production and reporting of the Annual Statement of Accounts is a statutory responsibility and, pending completion of the audit, the latest statements for 2013/14 are appended to this report.

Author: **Simon Freeman, Head of Finance**

Housing

None specific .

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Equalities and Social Inclusion)

None specific.

Author: **Graham Branchett, Chief Operating Officer**

Governance (includes HR)

None specific.

Author: **Brian Keane, Head of Governance**

BACKGROUND PAPERS

All Final Accounts Working Papers held by Accountancy which have been open to public inspection as required under the Audit Commission Act 1998 and the Accounts and Audit Regulations 2011.