

**SUPPLEMENTARY REPORT FOR  
CABINET  
Thursday, 17 September 2015 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 item to which the documents relate is noted below.

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

- b) Referral from Audit and Standards Committee - 2014/15  
Statement of Accounts (Pages 2 - 5)
- c) Referral from Audit and Standards Committee - Management  
Letter of Representation 2014/15 (Pages 6 - 15)

**REPORT TO:** CABINET

**DATE:** 17 SEPTEMBER 2015

**TITLE:** REFERRAL FROM AUDIT AND STANDARDS COMMITTEE – STATEMENT OF ACCOUNTS 2014/15

**PORTFOLIO HOLDER:** COUNCILLOR MIKE DANVERS

**LEAD OFFICERS:** BRIAN KEANE, 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 2014/15 Statement of Accounts is approved.

#### **REASON FOR DECISION**

- A** The Audit and Standards Committee considered a report on the Statement of Accounts 2014/15 at its meeting in September 2015 and has recommended that the Cabinet approve it.
- B** Approval of the Statement of Accounts 2014/15 is necessary to comply with accounting regulations.

#### **BACKGROUND**

1. At its meeting on 9 September 2014, the Audit and Standards Committee received a report that presented the draft Statement of Accounts 2014/15. 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, ‘Audited Annual Accounts 2014/15’ covering report.

## **BACKGROUND PAPERS**

The Statement of Accounts 2014/15 and all other original reports to the Audit and Standards Committee, 9 September 2015, can be viewed from the Mod.Gov app or from the Council’s website on the following link:

<http://moderngov.harlow.gov.uk/ieListDocuments.aspx?CId=120&MId=625&Ver=4>

## APPENDIX A

**REPORT TO**                    **AUDIT AND STANDARDS COMMITTEE**

**DATE:**                        **9 SEPTEMBER 2015**

**TITLE:**                        **AUDITED ANNUAL ACCOUNTS 2014/15**

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

### **RECOMMENDED that**

**A The Committee notes the 2014/15 Statement of Accounts presented as Appendix 1 to this report and recommends that Cabinet approve them at their meeting on 17 September 2015 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 was ongoing at 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 2015 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**

**Place (includes Sustainability)**

None specific.

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

**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 2014/15 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: **Jane Greer, Head of Community Wellbeing**

**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.

**REPORT TO:** CABINET

**DATE:** 17 SEPTEMBER 2015

**TITLE:** REFERRAL FROM AUDIT AND STANDARDS COMMITTEE - MANAGEMENT LETTER OF REPRESENTATION 2014/15

**PORTFOLIO HOLDER:** COUNCILLOR MIKE DANVERS

**LEAD OFFICERS:** BRIAN KEANE, 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 2014/15.

### **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 2014/15 at its meeting in September 2015. The Committee agreed the Letter, and asked that the Cabinet acknowledge it.

### **BACKGROUND**

1. At its meeting on 9 September 2015, the Audit and Standards Committee received a report that presented the Management Letter of Representation 2014/15. 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 2014/15' covering report. Incorporating:  
Appendix 1 - Management Letter of Representation 2014/15.

## **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=625&Ver=4>

## APPENDIX A

**REPORT TO**                    **AUDIT AND STANDARDS COMMITTEE**

**DATE:**                        **9 SEPTEMBER 2015**

**TITLE:**                        **MANAGEMENT LETTER OF REPRESENTATION  
2014/15**

**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 17 September 2015.

### **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 2014/15 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 17 September 2015, and formally signed by the Head of Finance and the Chairman of Audit and Standards Committee.

### **IMPLICATIONS**

#### **Place (includes Sustainability)**

None specific.

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

#### **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: **Jane Greer, Head of Community Wellbeing**

**Governance (includes HR)**

None specific.

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

**BACKGROUND PAPERS**

None.

Debbie Hanson  
Executive Director  
Ernst & Young LLP  
400 Capability Green  
Luton  
Bedfordshire  
LU1 3LU

September 2015

Dear Debbie

This representation letter is provided in connection with your audit of the financial statements of Harlow District Council for the year ended 31 March 2015. 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 (the Council) as of 31 March 2015 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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 2014/15.
2. We acknowledge, as members of management 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 income and expenditure, in accordance with the CIPFA LASAAC Code of Practice on Local

Authority Accounting in the United Kingdom 2014/15, and are free of material misstatements, including omissions. We have approved the financial statements.

3. We confirm the responsible officer has:
  - Reviewed the financial statements
  - Reviewed all relevant written assurances relating to the financial statements, and
  - Made other enquiries as appropriate.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management, 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 2014/15, that are free from material misstatement, whether due to fraud or error.
6. We believe that the effects of the unadjusted audit difference (summarised in Appendix 1), accumulated by you 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.

## **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 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 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. We have 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. 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 relevant minutes of the meetings of the Council and committees including Council, Cabinet, Audit & Standards Committee and Cabinet Overview Working Group (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meetings on the following dates:

Council: 30 July 2015

Cabinet: 17 September 2015

Cabinet Overview Working Group: 10 September 2015

Audit and Standards Committee: 9 September 2015
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 the financial statements all guarantees that we have given to third parties.

#### **F. Subsequent Events**

1. 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. In respect of 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 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.
  - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### **H. Going Concern**

1. We are not aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant considerations and events, our plans for future action and the feasibility of these plans.

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

1. We have reviewed the operating segments reported internally to 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 services
- The nature of the processes
- The type or class of customer for the services

#### **J. 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.

#### **K. Use of the Work of an Expert**

1. We agree with the findings of the experts engaged to value items of property, plant and equipment, and investment property, and to establish the Council's potential liability in relation to appeals lodged against the ratebale value on business premises. We 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 those experts with respect to the values or amounts derived in an attempt to base their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

There are no further disclosures or representations of which I am aware, that require inclusion in this letter.

Yours sincerely

**Simon Freeman**  
**Head of Finance (S151 Officer)**

I confirm that this letter has been discussed and agreed at the Audit and Standards Committee on 9 September 2015.

**Councillor Manny Doku**  
**Chairman of Audit and Standards Committee.**

## Appendix 1

We believe that the effects of the unadjusted audit difference (summarised in the table below), accumulated by you 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.

<b>Item of Account</b>	<b>Impact Debit/(Credit)</b>
Tangible Fixed Assets – Other Land & Buildings	£275,000
Intangible Fixed Assets	(£275,000)
Cumulative effect of uncorrected misstatement	£0