

**REPORT TO:** Business Efficiency Board

**DATE:** 28 September 2016

**REPORTING OFFICER:** Operational Director, Finance

**PORTFOLIO:** Resources

**SUBJECT:** 2015/16 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 Letter of Representation, to consider the Audit Findings Report of the External Auditor (Grant Thornton), and to approve the Council's 2015/16 Statement of Accounts.

## **2.0 RECOMMENDED: That**

- 1) The draft Letter of Representation in Appendix 1 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board;**
- 2) The External Auditor's draft 2015/16 Audit Findings Report in Appendix 2 be received and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board; and**
- 3) The Council's draft 2015/16 Statement of Accounts in Appendix 3 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in liaison with the Chair of the Business Efficiency Board.**

## **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 2015/16 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 2015/16 Statement of Accounts was passed to the Council's External Auditor (Grant Thornton) on 01 July 2016, since when they have undertaken their audit. Grant Thornton will attend the meeting to present the report of their findings, the Audit Findings report, as shown in Appendix 2.
- 3.5 Section 2 of the Audit Findings report presents the findings of the External Auditor in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of their work.
- 3.6 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 Chair of the Board on behalf of the Council.

#### **4.0 KEY SECTIONS WITHIN THE STATEMENT OF ACCOUNTS**

- 4.1 The Council's 2015/16 Statement of Accounts is presented in Appendix 3. The Narrative Report by the Operational Director, Finance summarises the Council's financial performance for 2015/16, including revenue and capital spending.
- 4.2 In overall net terms the Council has underspent its 2015/16 revenue budget by £67,000. The overall outturn report was presented to Executive Board on 16 June 2016 and departmental outturn reports are available on the Council's Intranet. Following the outturn position and the use of £3.5m of the general reserve balance in funding the 2015/16 budget, the Council's general fund balance at 31 March 2016 stands at £5.4m.
- 4.3 Capital expenditure was £29.5m compared with planned expenditure of £37.3m. The outturn represents 79% of the total capital programme although 20% slippage is anticipated each year. Capital expenditure on several large projects slipped during the year and spend will continue to be incurred on them in 2016/17. The main areas of slippage included 3MG, Mersey Gateway Land Acquisitions and the Local Pinch Point Programme at Daresbury Expressway.
- 4.4 School balances as at 31 March 2016 totalled £5.7m. In addition, £1.6m of unspent schools related funding is held centrally and will carry forward into 2016/17.

- 4.5 The Comprehensive Income and Expenditure Statement (CIES) presents gross expenditure, gross income and net expenditure for 2015/16 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. The CIES reports on how the Council performed during the year and whether its operations resulted in a surplus or deficit.
- 4.6 The Council's Balance Sheet sets out the Council's financial position as at 31 March 2016, along with a comparison to the position as at 31 March 2015. The balance sheet is a snapshot of the Council's financial position at a specific point in time, showing what it owns and owes at 31 March.
- 4.7 The Movement in Reserves Statement presents a summary of the changes in the Council's main reserves during the year. Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.
- 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 Statement, 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 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.
- 4.12 The External Auditor has used 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.
- 4.13 The final section presented within the Statement of Accounts is a Glossary of Terms.

## **5.0 VALUE FOR MONEY**

- 5.1 Section 3 of the Audit Findings report presents the External Auditor findings on the Value for Money (VFM) conclusion. It considers if the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 5.2 The External Auditor evaluates the VFM conclusion against one single criterion, being “In all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for tax payers and local people”.
- 5.3 The overall conclusion from the External Auditor is the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

## **6.0 NEXT STEPS**

- 6.1 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.

## **7.0 IMPLICATIONS FOR THE COUNCIL’S PRIORITIES**

### **7.1 Children and Young People in Halton**

There are no specific implications for any of the Council’s priorities.

### **7.2 Employment, Learning and Skills in Halton**

See 7.1

### **7.3 A Healthy Halton**

See 7.1

### **7.4 A Safer Halton**

See 7.1

### **7.5 Halton’s Urban Renewal**

See 7.1

## **8.0 RISK ANALYSIS**

The Accounts and Audit Regulations require that the Statement of Accounts is certified by the External Auditor and published by 30th September 2016.

## **9.0 EQUALITY AND DIVERSITY ISSUES**

There are no equality and diversity issues arising from this report.

## **10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Accounts and Audit Regulations 2015	Kingsway House Kingsway Widnes	Steve Baker Divisional Manager, Financial Management
Code of Practice on Local Authority Accounting in the UK 2015/16	Kingsway House Kingsway Widnes	Steve Baker Divisional Manager, Financial Management

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB.

28 September 2016

Dear Sirs

**Halton Borough Council**

**Financial Statements for the year ended 31 March 2016**

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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:

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii 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. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the 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 in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the 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 assets and liabilities for IAS19 Employee Benefits 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 post-employment 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 the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires 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 the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.

The financial statements are free of material misstatements, including omissions.

- xiv We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

- xv We believe that the Council's 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 Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### Information Provided

- xvi We have provided you with:
- a 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;
  - 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.
- xvii We have communicated to you all deficiencies in internal control of which management is aware.
- xviii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix 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.
- xx We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
- 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.
- xxi We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxii 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 financial statements.
- xxiii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.



### **Annual Governance Statement**

xxv 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.

### **Narrative Statement**

xxvi The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

### **Approval**

The approval of this letter of representation was minuted by the Business Efficiency Board at its meeting on 28<sup>th</sup> September 2016.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council