

**HUNTINGDONSHIRE DISTRICT COUNCIL**

<b>Title:</b>	<b>Approval for Publication of the 2013/14 Annual Governance Statement and Annual Financial Report</b>
<b>Meeting/Date:</b>	Corporate Governance Panel – 25 September 2014
<b>Executive Portfolio:</b>	Resources: Councillor J A Gray
<b>Report by:</b>	Head of Resources
<b>Ward(s) affected:</b>	All Wards

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**Executive Summary:**

The Council is required by statute to produce both an Annual Governance Statement and an Annual Financial Report. Both of these documents are produced in line with statutory regulation and are required to be approved by “those charged with governance” and published by the 30<sup>th</sup> September.

In order to approve the accounts the Council must:

- Consider the “draft” Auditors Report (Section 3) which comments on the auditor’s findings on the accounts and their view on value for money. Both the accounts and the Value for Money position of the Council are expected to receive an unqualified audit opinion.
- Approve the Annual Governance Statement (Section 4) which includes some significant areas for improvement; including performance management, budgetary control, partnership engagement, annual reporting, project management, procurement and relationships with LGSS. Where appropriate there are actions to be taken.
- Approve the Letter of Representation (Section 5)
- Approve the Annual Financial Report and authorise the Panel’s Chairman to sign them on behalf of the Council (Section 6)

Provision is made for the audit fees within existing budgets.

**Recommendation(s):**

It is recommended that the Panel:

- Receives the Auditor’s Draft ISA 260 report (Appendix A).
- Approves the Annual Governance Statement (Appendix B) and authorise the Executive Leader and Managing Director to sign the Statement on behalf of the Council.
- Approves the Letter of Representation (Appendix C) and authorises the Head of Resources to sign it on behalf of the Council.
- Approves the Annual Financial Report (Appendix D) and authorises the Chairman of the Panel to sign the accounts on behalf of the Council.

## 1. PURPOSE

- 1.1 To complete the processes for finalising and publishing both the Council's Annual Governance Statement and Annual Financial Report for 2013/14.

## 2. BACKGROUND

- 2.1 The Panel is designated as "those charged with governance" and consequently, is required to approve both the Annual Governance Statement and Annual Financial Report prior to publication, which has to be achieved by the statutory deadline of the 30<sup>th</sup> September. To do this the Panel needs to follow the stages in the order shown in this report.

## 3. RECEIVING THE DRAFT AUDITORS REPORT (ISA 260 REPORT)

- 3.1 This will be presented to the meeting by the Council's external auditors, PricewaterhouseCoopers LLP (PwC) and is attached as Appendix A.

- 3.2 The main issues that have been raised within the report, relating to the Annual Financial Report are:

- Cut-off treatment for Section 106.
- Presentational "reclassification" of the NDR Appeals Provision.
- Removal of the Contingent Asset relating to VAT on car parks.
- Related Party Transactions.

- 3.3 With regard to the Annual Financial Report issues note above, the details of these adjustments and the management action are shown below:

Description of Misstatement	Amount £'000	Management Action
<b>MAIN STATEMENTS</b>		
<b>Section 106</b>  Correction of errors discovered as a result of cut-off testing:  This was in relation to Section 106 funding that had not been approved in 2013/14 but not received until 2014/15.	96	Management has not made this adjustment within the accounts.  This is only marginally above the "trivial" threshold (£91,000) and the impact of this change would have a disproportionate impact across the Main Statements and the Disclosure Notes.  There is no impact on the reported general fund, earmarked reserves or non-cash balances. However, the consequence of not adjusting for this funding does mean that there will be additional

		<p>resources available during 2014/15 to finance capital expenditure.</p> <p>Accounts closure procedures have been enhanced to ensure that there is appropriate “verification” of all S.106 agreements where approval was made within the last month of the financial year.</p>
<p><b>NDR Appeals Provision</b></p> <p>Presentational change for the accounting for the NDR appeals provision.</p> <p>In the draft accounts, the NDR appeals provision was shown within Creditors, it is to be shown within Short- Term Provisions (both within the Balance Sheet).</p>	2,054	<p>Management has made this adjustment within the Balance Sheet. This is primarily a “presentational” change.</p> <p>There is no impact on the reported general fund, earmarked reserves or non-cash balances.</p> <p>Accounts closure procedures have been enhanced to ensure that the NDR appeals provision is now established within the general ledger.</p>
<b>DISCLOSURES (NOTES)</b>		
<p><b>Contingent Asset</b></p> <p>An adjustment to remove reference to a contingent asset included with Note 40.</p> <p>This contingent asset was relating to VAT relating to off-street parking since 1998. Whilst legal cases have not totally removed the possibility of a refund, the position is becoming increasingly less hopeful.</p>	2,700	<p>Management has made this adjustment within Note 40.</p> <p>There is no impact on the reported general fund, earmarked reserves or non-cash balances.</p>
<b>INTERNAL CONTROL</b>		
<p><b>Related Party Transactions</b></p> <p>That the Council has not considered the related party relationship that would exist</p>	Nil	<p>Within the accounts closure working papers the Council has fully disclosed where members had been appointed to local</p>

<p>where the Council has nominated a member to local organisations.</p>		<p>organisations.</p> <p>However, these appointments were not considered in the Related Party review because these appointments are made for the sole purpose so the Council can be represented on the organisations concerned; thereby representing the views of the Council. The intention of such representation is not to represent the views of the individual member concerned.</p> <p>Management will seek views from other practitioners in preparation for 2014/15 accounts closure to determine if “member representations” are fair disclosures in respect of Related Party Transactions.</p>
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- 3.4 In addition to reviewing the Annual Financial Report, the auditors are required to give a view on Value for Money within the Council.
- 3.5 The auditors anticipate an unqualified opinion in respect of both the Annual Financial Report and the Value for Money conclusion.
- 3.6 The enclosed draft report was only issued on the 15<sup>th</sup> September and so there has not been time to produce a commentary on the main issues raised. This will be circulated as soon as possible.

**4. APPROVE THE ANNUAL GOVERNANCE STATEMENT**

- 4.1 The Council is required to review once a year the effectiveness of its system of internal control and following that review, approve its annual governance statement. The governance statement will be published alongside the annual statement of accounts and is shown at Appendix B.
- 4.2 Two informal meetings have been held with the Panel. At the first the evidence supporting the Code of Corporate Governance was considered, whilst at the second the draft governance statement was reviewed. The Panel have been robust in challenging the information presented to them.
- 4.3 The governance statement includes four significant areas for improvement.
- Develop the themes and aims of the Corporate Plan through service delivery plans, performance measures and employees performance targets.

- Publicise the vision statement and strategic themes and outcomes to key stakeholders
- Review partnership commitments with an emphasis on the benefits obtained and contribution towards the Corporate Plan
- Continue to educate employees in good procurement and contracting practice to ensure that they understand how to act and comply with the requirements of the Code of Procurement

4.4 These four issues notwithstanding, the governance arrangements and the internal control environment are considered to be operating effectively.

## **5. APPROVE THE LETTER OF REPRESENTATION**

5.1 Each year a letter has to be given to the auditor by the Council which explains what the Council has done to ensure its financial records are accurate. This is attached as Appendix C and it is “best practice” for the Panel to approve the content of this letter and then authorise the Head of Resources to sign it on behalf of the Council.

## **6. APPROVE THE ANNUAL FINANCIAL REPORT**

6.1 The Council is required to produce and approve by the 30<sup>th</sup> June an Annual Financial Report, which incorporates the Statement of Accounts. Then by the 30<sup>th</sup> September “those charged with governance” are required to approve and the Council is required to publish the accounts. The Annual Financial Report is attached at Appendix D and the Panel is asked to approve the accounts and authorise the Chairman to sign them on in its behalf. The issues that have been raised by the auditor in respect of the Annual Financial Report are detailed within paragraph 3. If there are any further changes subsequent to the issuing of this report, further commentary will be included in the note referred to in paragraph 3.6.

## **7 REASONS FOR THE RECOMMENDED DECISIONS**

7.1 The process that has been followed in preparing both the Annual Governance Statement and the Annual Financial Report has been thorough and in line with statutory regulations.

7.2 The significant issues that have been identified for inclusion within the Annual Governance Statement are referenced within the statement and are a reflection of the current situation.

7.3 Both the Annual Governance Statement and the Annual Financial Report have been subject to external audit review by the Council’s auditors, PricewaterhouseCoopers.

## **8. LIST OF APPENDICES INCLUDED**

Appendix A – Auditor’s Report – ISA 260 Report  
 Appendix B – 2013/14 Annual Governance Statement  
 Appendix C – Letter of Representation  
 Appendix D – 2013/14 Annual Financial Report

## **BACKGROUND PAPERS**

### Annual Governance Statement

Code of Corporate Governance

CIPFA/SOLACE Publications:

Delivering Good Governance in Local Government: Framework 2007

: Framework Addendum 2012

### Annual Finance Report

Final Accounts and Working Papers

Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

Code of Practice on Local Authority Accounting in the United Kingdom Guidance Notes for Practitioners 2013/14 Accounts

## **CONTACT OFFICER**

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