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Date: 10 September 2014
Ref:

Dear Sirs

Representation letter – audit of Sefton Metropolitan Borough Council’s (the Authority) Statement of Accounts for the year ended 31 March 2014

The Authority is responsible for preparing consolidated statement of accounts in respect of itself and its subsidiary undertakings (together “the Group”).

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2014 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the Service Reporting Code of Practice 2013/14.

Subsequent references in this letter to “the Statement of Accounts” refer to both the Statement of Accounts for the Authority and the Statement of Accounts of the Group.

I acknowledge my responsibilities as Chief Financial Officer for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of Accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the Service Reporting Code of Practice 2013/14; in particular the Statement of Accounts give a true and fair view in accordance therewith.

- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.
- Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the Statement of Accounts as a whole. A list of the uncorrected misstatements is attached to this letter.
- The Statement of Accounts disclose all matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the Authority's plans. The Authority also has the intent and ability to take actions necessary to continue as a going concern.

Information Provided

- I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the Authority's auditors, are aware of that information.
- I have provided you with:
 - access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the group from whom you determined it necessary to obtain audit evidence.
- So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the authority's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the Statement of Accounts.
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- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.

 - all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing Statement of Accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the payment schedule/schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that the attached appendix to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the Statement of Accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Pension fund registered status

I confirm that the Teachers' Pension Scheme and the Local Government Pension Scheme are Registered Pension Schemes. We are not aware of any reason why the tax status of the scheme should change.

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the Statement of Accounts or in the notes thereto.

Retirement benefits

- All retirement benefits that the Council is committed to providing, including any arrangements that are statutory, contractual or implicit in the Council's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.
- All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

- The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with our knowledge of the business and in our view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

Detail	2013/2014	2012/2013	Assumption Change
Financial assumptions			
Duration of liabilities	18 years	25 years	-7 years
Discount rate	4.4%	4.2%	0.2%
Pension increase (equals CPI)	2.4%	2.4%	0%
Salary increase	3.9%	3.9%	0%
Life expectancy at 65 years			
Pensioners (Men)	22.3	21.8	0.5
Pensioners (Women)	25.2	24.7	0.5
Non-pensioners (Men)	24.7	23.7	1.0
Non-pensioners (Women)	28.0	26.6	1.4
Return on assets			
Equity investments	7.0%	7.0%	0%
Government bonds	3.4%	2.8%	0.6%
Other bonds	4.3%	3.9%	0.4%
Property	6.2%	5.7%	0.5%
Cash/liquidity	0.5%	0.5%	0%

The above actuarial assumptions regarding the valuation of liabilities and assets for the Local Government Pension Scheme defined benefit scheme are set out in Mercers' report Actuarial Valuation as at 31 March 2014 for the purpose of IAS19. We have relied on the actuary as our external expert in formulating these assumptions to give the best estimate of future cash flows that will arise under the scheme of liabilities.

- All pension assets and liabilities have been accounted for in line with the information received from Mercers.
- The authority participates in the Teachers' Pension Scheme that is a defined benefit scheme. I confirm that the authority's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Valuation of Property, Plant and Equipment

Regarding provisions and the valuation of Property, Plant and Equipment, accounting estimates that were disclosed in the financial statements:

- We used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in line with professional standards of the Royal Institution of Chartered Surveyors. Measurement processes have been consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council, where relevant to the accounting estimates and disclosures.
- Disclosures relating to accounting estimates are complete and appropriate. No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.
- We also confirm that we consider the write-offs in relation to the asset revalued identified as part of the valuation exercise are more akin to valuation adjustments rather than the consumption of the assets.
- Based on our impairment reviews of assets not valued in the year as part of the rolling programme, we believe that there is no impairment risk regarding these assets that would impact the treatment within the financial statements.
- Based on our review of investment property we believe that the assets have been held correctly in line with our accounting policies.

Using the work of experts

We agree with the findings of Mr A Bond (MRICS) and all other in-house experts in evaluating the valuation of Property, Plant and Equipment and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in preparation of the financial statements and underlying accounting records. We did not give or cause instructions to be given to 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 an impact on the objectivity of the experts.

Presentation of the “Amounts Reported for Resource Allocations Decisions” disclosure within the Statement of Accounts

We confirm that the information that has been used to inform the segmental reporting as included in Note 8 “Amounts Reported for Resource Allocations Decisions” to the financial statements is from a source consistent with that used to provide the RAG information that is presented to Cabinet to inform its decisions as the Chief Operating Decision Maker.

Contaminated land reserve

Regarding contaminated land reserve of £1.5m as at 31 March 2014, an accounting estimate that was recognised in the statement of accounts and the contingent liability in relation to the contaminated land reserve that has also been disclosed in the statement of accounts:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- Measurement processes were consistently applied from year to year.

- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the authority and group, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the statement of accounts.

Infrastructure assets

We are aware that whilst there is insufficient information in the Fixed Asset Register (FAR) for a number of infrastructure assets valued at £5m, there is sufficient information outside the FAR to agree to individual assets or schemes. We have accounted for infrastructure assets including depreciation in line with our accounting policies and guidance issued in CIPFA/LASAAC Code of Practice on Local Government Accounting in the UK 2013/14.

Heritage assets

Regarding heritage assets of £11.1m as at 31 March 2014 that has been recognised in the statement of accounts and the contingent liability in relation to the contaminated land reserve that has also been disclosed in the Statement of Accounts:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the authority and group, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the statement of accounts.

As minuted by the Committee at its meeting on 10 September 2014

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Margaret Rawding
(Head of Corporate Finance & ICT)

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Councillor Diane Roberts
(Chair, Audit and Governance Committee)

For and on behalf of: SEFTON METROPOLITAN BOROUGH COUNCIL

Date: 10 September 2014