



AGENDA ITEM: 7

NORTH WALES FIRE AND RESCUE AUTHORITY AUDIT COMMITTEE

27 September 2010

STATEMENT OF ACCOUNTS 2009-10 AND THE LETTER OF REPRESENTATION

Report by Ken Finch, Treasurer to the Authority

Purpose of Report

- 1 This report is to present to Members the audited Statement of Accounts for 2009-10 for approval.
- 2 The accounts were presented to the Executive Panel on 20 September 2010. Presentation of the accounts to both committees ensures that all Authority Members will have been given the opportunity to examine and comment on the latest set of the accounts. Any comments from the Executive Panel will be advised verbally at the meeting.

Information

- 3 In previous years the draft Statement of Accounts would have been presented to the meeting of the full Authority in June but due to legislative changes – Accounts and Audit Regulations (Amendment Wales) 2010 – it is no longer a requirement to seek Member approval before the accounts are audited. It is, though, still a requirement that the audited accounts are approved by Members by 30 September. Delegated authority for approving the accounts has been granted to the Audit Committee.
- 4 In lieu of the draft accounts Members were presented with a Financial Performance report for 2009-10 which detailed the actual

spend for the year against budget and Members approval was sought to set aside money from the underspend in to reserves and provisions.

Asset Revaluations

- 5 Under the system of capital accounting set out in the Code of Practice produced by CIPFA and to comply with Financial Reporting Standard 15 the Authority must revalue all assets included at current value at intervals of not more than five years. To comply with the code the Authority employed a firm of valuers, Wilks Head and Eve, to carry out the revaluation exercise in 2009-10. The new values have been included in the accounts for 2009-10. A list of the assets included in the revaluation exercise and the change in values is included in appendix A.

Audited Changes

- 6 The accounts have now been audited by the Auditor appointed by the Wales Audit Office and have been amended in line with the findings from the audit and subsequent discussions over the accounting treatment, definitions and presentation of specific items within the accounts.
- 7 A detailed breakdown of the corrected misstatements identified in the draft accounts form part of the ISA260 report 'Audit of Accounting Statements – Report to Those Charged with Governance' which will be presented to the Audit Committee with the accounts. A summary of the changes are listed below.
 - a) Reclassification of debtors between Local Authorities and Government departments, £56k;
 - b) A prepayment which should have been included at year end, £42k.
 - c) Individualise the transactions on the revaluation of Land and Buildings resulting in impairment costs to the I&E account of £1.99m.
 - d) Correct the fixed asset note presentation of the revaluation during the year, b/f depreciation £1.5m.
 - e) The table at Appendix B sets out the original position on reserves and provisions as approved by Members in the Financial Performance report and in the draft accounts and the post audit position.

- 8 The Retained Back Pay provision has been reduced by £100k due to additional information on the expected liability received during the audit. The £100k has been moved to a reserve to cover the potential costs arising from equal pay claims of firefighters. The provision set aside for Job Evaluation has been moved to a reserve following a discussion with the auditors as it was considered that the provision failed to meet the definition set out in FRS12 (the Authority has a present obligation as a result of a past event). An additional amount of £42k has been set aside in to Operational Reserves to cover some additional one off costs in year due to the re-structuring of the payment schedule for the communications network.

Letter of Representation

- 9 Attached to this report, as appendix C, is a copy of correspondence between the External Auditor and myself in respect of the audit of the accounting statements. The letter explains the reason for a letter of representation.

Recommendation

- 10 Members approve the audited Statement of Accounts for 2009-10 and acknowledge the Letter of Representation sent to the External Auditor.

Appendix B

| Scheme | Opening Balance 01 Apr 09 | Original Movement 2009-10 | Original Closing Balance 31 Mar 10 | New Closing Balance Post Audit |
|--------------------------------|--|--|---|---|
| | £ | £ | £ | £ |
| Provisions | | | | |
| Pension Back pay | 50,000 | -50,000 | 0 | 0 |
| Ill Health Pension | 264,937 | -24,937 | 240,000 | 240,000 |
| Retained Back Pay | 200,000 | 306,565 | 506,565 | 406,565 |
| Job Evaluation | 0 | 85,467 | 85,467 | 0 |
| Reserves | | | | |
| Employee Costs 10-11 budget | 0 | 128,000 | 128,000 | 128,000 |
| Job Evaluation | 0 | 0 | 0 | 85,467 |
| Operational Reserves | 0 | 63,383 | 63,383 | 205,047 |
| TOTALS | | | 1,023,415 | 1,065,079 |