

Falkirk Council

Report to those charged with governance on the 2013/14 audit



Prepared for Falkirk Council
September 2014

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Introduction

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
2. This report sets out for the Audit Committee's consideration of the matters arising from the audit of the financial statements for 2013/14 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management, however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of Falkirk Council and no responsibility to any third party is accepted.

Status of the Audit

3. Our work on the financial statements is now substantially complete. The issues arising from the audit were included in matters arising schedules issued to the Acting Depute Chief Finance Officer on a regular basis during the audit. The more significant issues arising were discussed with the Chief Finance Officer at a meeting on 11 September 2014.
4. We received a full set of the unaudited financial statements on 30 June 2014 and this was accompanied by a comprehensive working papers package. The working papers package was of a good standard and finance staff dealt with audit queries promptly thereby enabling us to complete our on-site fieldwork by 4 September 2013.

Matters to be reported to those charged with governance

Conduct and scope of the audit

5. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the Audit Committee on 24 March 2014, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
6. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2013/14 agreed fee for the audit (£318,999) was disclosed in the Annual Audit Plan. We were required to carry out additional work in relation to the Falkirk Temperance Trust in terms of Section 106 of the Local Government (Scotland) act 1973. This section of the 1973 Act applies to any charity where an authority, or some members of the authority, is the sole trustee. As a result we charged an additional fee of £300.

Fraud

7. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In presenting this report to the Audit Committee we seek confirmation from those charged with governance of any instances thereof that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft letter of representation.

Audit opinion & representations - Falkirk Council

8. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 22 September 2014 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
9. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £1,000 (or £25 for Falkirk Temperance Trust).
10. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements.
11. In addition, a number of monetary errors were identified which were not processed through the financial statements by management. If adjusted these would have a net effect of increasing expenditure and decreasing net assets by £0.476 million. It is our responsibility to request that all errors be corrected although the final decision on this matter rests with those charged with governance taking into account advice from officers and materiality. Management explained that these adjustments were not material to the financial statements. The effect of these unadjusted errors on the council's financial statements is detailed in Appendix D.
12. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA 580 is attached at Appendix C. It also contains reference to the Falkirk Temperance Trust. This should be signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.

Audit opinion - Falkirk Temperance Trust

13. The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations) sets out the accounting and auditing rules for Scottish charities. These required, for the first time in 2013/14, a full audit of all registered charities accounts where a local authority or some members are the sole trustees. In 2013/14 we have been asked by the council to audit the financial statements for the Falkirk Temperance Trust.
14. This is the first year of our audit appointment and our audit work relates only to transactions occurring from 1 April 2013. The financial statements for the year ended 31 March 2013 were not audited. The comparative amounts in the financial statements for the year ended 31 March 2014 are therefore unaudited.

15. Several presentational adjustments, and one small monetary adjustment, were identified within the financial statements during the course of the audit. These were discussed with senior finance officers who agreed to amend the financial statements. There were no unadjusted errors.
16. We propose issuing an unqualified auditor's report on 22 September 2014 (the proposed report is attached at Appendix B).

Accounting and internal control systems

17. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Significant findings from the audit

18. In our view, the following issues require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.

19. **Capital accounting:** Our testing of fixed asset revaluations identified one instance of accounting transactions being incorrectly processed. The property, St Bernadette's Primary School, was revalued for the first time in 2013/14, having been transferred from assets-under-construction. As part of the revaluation the property was componentised.

The correct procedure should have been to revalue the whole school, before transferring appropriate sums to the component parts. In this instance, however, the component assets were created before revaluation. As a result the core asset incurred a revaluation loss of £6 million which was charged to the comprehensive income & expenditure statement (CIES), while component parts of £4 million were created and credited to the revaluation reserve. This resulted in reserves being overstated in the unaudited financial statements by £4 million, and expenditure being overcharged in the CIES by the same amount.

20. **Resolution - Further audit testing has provided adequate assurance that this is an isolated instance. The council have adjusted the financial statements to correct the error. The Council are investigating the cause of the error.**
21. **Equal pay provision:** The Equal Pay Act 1970 makes it unlawful for employers to discriminate between men and women in terms of their pay and conditions where they are doing the same or similar work, work rated as equivalent, or work of equal value. Employees who consider that they have been discriminated against in terms of pay and are dissatisfied with the council's proposed resolution or compensation can elect to have a case heard before an employment tribunal. Falkirk Council has received a significant number of claims for compensation. Whilst there have been recent developments in case law, as in previous years, the ultimate cost to the council remains uncertain and it is likely that the issue will take some time to resolve. As the tribunal process unfolds the extent of the council's eventual liability will become clearer, and the Council will update both its provision and contingent

liability as required. The Council recognises a provision of £4.165 million in respect of equal pay in the 2013/14 financial statements, while the contingent liability is not quantified.

Resolution: The equal pay provision will be reviewed on an annual basis and take account of any legal developments.

22. **Council tax debtor / creditor:** Our testing identified that the council tax debtor and creditor balances in the unaudited accounts were both understated by £0.970 million. This was due to an error on the council tax master spreadsheet which did not pick up the 2013/14 creditor balance. Our testing also highlighted that the council tax bad debt provision included £0.470 million relating to sundry debtors.

Resolution - The council tax debtor and creditor balances have been corrected, as have the council tax and sundry debtors' bad debt provisions. The net impact on the financial statements is nil.

23. **Council house valuations:** The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) states that the fair value of council dwellings shall be measured using the existing use value-social housing (EUV-SH) method of valuation. The council has been using a discounted cash flow approach to the valuation of its housing stock since 1 April 2010 which results in a significantly lower valuation. As reported in previous years, this is a recurring issue which will not be resolved until a future date..

Resolution: The council will revise its method of housing stock valuation to align with the Code at the next due valuation in 2015/16.

24. **Non-depreciation of council house dwellings:** The council has not charged depreciation on its council housing stock on the grounds that the amount involved would not be material. In the current year we asked management to provide evidence supporting their assertion that depreciation was not material. In response, finance officers explained that as the residual value of council houses was equal to their carrying value no depreciation was chargeable. Management also consulted with specialist staff in the District Valuer's Office to confirm that this was a valid approach.

Resolution: The District Valuer's Office confirmed that council housing stock does not require to be depreciated. This is on the basis that housing assets are continually being maintained. The assumption is therefore that the value of the units should not be reducing, and accordingly the residual value of the housing stock, given the major capital investment in the stock over the life of the assets, does not require to be depreciated.

25. **Provision for landfill site restoration:** The council owns Kinneil Kerse, an inactive landfill site and has responsibilities relating to the restoration and aftercare costs of the landfill site. To comply with accounting requirements, International Accounting Standard (IAS) 37 *Provisions, contingent liabilities and contingent assets*, the council is required to recognise the restoration costs as a provision in its Balance Sheet. The council did not set up a provision last year but agreed to process a prior year adjustment in the 2013/14 accounts. As restoration work is capital in nature the adjustment has no impact on the council's general fund balance.

Resolution: The council has processed a prior year adjustment in the 2013/14 accounts. This recognises a provision for the restoration costs of Kinneil Kerse landfill site of £1.311 million in line with IAS 37.

26. **Exit packages:** Our testing identified that the Council were recognising exit packages in the year in which payments were made. In line with disclosure requirements, exit packages should be disclosed in the year in which they were agreed. This resulted in errors to the exit package disclosure in the unaudited financial statements which have now been corrected. The Council has elected not to adjust the core financial statements as the misstatement is not considered material. The net impact of these unadjusted errors is to understate expenditure in the 2013/14 financial statements by £0.350 million as detailed in Appendix D.

Resolution: The council has corrected the current and prior year disclosures in the exit packages note within the remuneration report, but have elected not to adjust the audited financial statements as the error is not considered material.

27. **Inventories:** Inventories have been valued using the latest invoice price. While this does not have a material impact on the audited 2013/14 financial statements, the Council has departed from International Accounting Standard (IAS) 2 - Inventories. The guidance prescribes the lower of cost and net realisable value or the average cost valuation methods. Although the difference in valuation cannot be quantified exactly, we have estimated it as £0.011m. This is not material to the financial statements.

Resolution: The Council has agreed to review its inventory procedures during 2014/15.

28. **International Accounting Standard (IAS) 19 pension costs:** As a result of a misallocation of IAS 19 pension costs Culture and Related Services have been undercharged £0.276 million with a corresponding overcharge spread across the other services. This does not affect the bottom line and is immaterial to the financial statements.

Resolution: The council has agreed to revise the method of allocation in 2014/15

Acknowledgements

29. We would like to express our thanks to the staff of Falkirk Council for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Falkirk Council and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Falkirk Council and its group for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements and Movement in Reserves Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rates Account, the Common Good Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the 2013/14 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent

with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2013/14 Code of the state of the affairs of the group and of the body as at 31 March 2014 and of the income and expenditure of the group and the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight FCA
Assistant Director, Audit Services
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

22 September 2014

Fiona Mitchell-Knight is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

Appendix B: Proposed Independent Auditor's Report (Temperance Trust)

Independent auditor's report to the trustees of Falkirk Temperance Trust and the Accounts Commission for Scotland

I have audited the financial statements of Falkirk Temperance Trust for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the receipts and payments account, statement of balances, and the related notes. The financial reporting framework that has been applied in their preparation is a receipts and payments basis.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the trustees and auditor

The trustees are responsible for the preparation of the financial statements which properly present the receipts and payments of the charity. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2014 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Other matter - unaudited comparative amounts

The financial statements for the year ended 31 March 2013 were not audited. The comparative amounts in the financial statements for the year ended 31 March 2014 are therefore unaudited.

Opinion on other prescribed matter

In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight FCA
Assistant Director, Audit Services
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

22 September 2014

Appendix C: ISA 580 - Letter of Representation

22 September 2014

Fiona Mitchell-Knight
Assistant Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
Nelson Mandela Place
Glasgow
G2 1BT

Dear Fiona

Falkirk Council

Annual Accounts 2013/14

1. This representation letter is provided in connection with your audit of the financial statements of Falkirk Council and its group for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Falkirk Council and its group as at 31 March 2014 and its income and expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Corporate Management Team and the Council, the following representations given to you in connection with your audit of Falkirk Council for the year ended 31 March 2014.

General

3. I acknowledge my responsibility and that of Falkirk Council for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by Falkirk Council have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all council and other meetings.
4. The information given in the annual report to the financial statements, including the explanatory foreword and remuneration report, presents a balanced picture of Falkirk Council and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected

misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Financial Reporting Framework

6. The financial statements have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and in accordance with the requirements of Local Government (Scotland) Act 1973 including all relevant presentation and disclosure requirements.
7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of Falkirk Council and its group for the year ended 31 March 2014.

Accounting Policies & Estimates

8. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

10. The Chief Officers have assessed the ability of the council and its group to carry on as a going concern, as identified in the Statement of Accounting Policies, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

Related Party Transactions

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Remuneration Report

12. The remuneration report has been prepared in accordance with the requirements and includes all eligible remuneration for the disclosed council officers and elected members.
13. All exit packages agreed in 2013/14 and included in the accounts were notified to Falkirk Council Pension Fund to enable complete information to be provided to the actuaries for the IAS19 disclosures.

Events Subsequent to the Balance Sheet Date

14. There have been no material events since the date of the balance sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
15. Since the date of the balance sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

16. I acknowledge, as the officer with responsibility for the corporate governance arrangements that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
17. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2014, which require disclosure.

Fraud

18. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

19. The assets shown in the Balance Sheet at 31 March 2014 were owned by Falkirk Council, other than assets which have been purchased under lease. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Heritage Assets

20. With the exception of civic regalia assets heritage assets have not been subject to a valuation because it is considered that reliable cost or valuation information cannot be obtained or that the cost of obtaining such information would be disproportionate to the benefits to the users of the Council's financial statements.

Inventories

21. The Council's inventories have been valued at the lower of cost and estimated net realisable value or at average cost and latest invoice price. All inventories are included in the financial statements. The use of latest invoice price does not comply with the Code and this is disclosed in the Statement of Accounting Policies. The departure from the Code is not considered material.

Liabilities

22. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2014.

Employee Benefit Accrual

23. The employee benefit accrual has been calculated by extrapolating actual costs from a sample of staff. In my opinion the sample selected is representative of the council as a whole.

Carrying Value of Assets and Liabilities

24. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2013/14. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

Provisions

25. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2014 and of which Falkirk Council could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2014.

Falkirk Temperance Trust

26. I acknowledge my responsibility and that of Falkirk Council (as the administering authority) for the financial statements. All accounting records and trust documents have been made available to you for the purpose of the audit. All material agreements and transactions undertaken by the trust have been properly reflected in the financial statements.
27. I confirm that the Falkirk Temperance Trust presented for audit is the only trust that requires an audit, where the sole trustee is Falkirk Council.
28. The financial statements of the Trust properly present the receipts and payments of the charity for the year ended 31 March 2014 and its statement of balances at that date. They have also been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.
29. The Annual Report and Accounts have been prepared on a receipts and payments basis as per applicable regulations and the founding documents of the Trust.
30. The cash fund and investments shown in the statement of balances at 31 March 2014 were owned by the registered charitable trust. Assets are free from any lien, encumbrance or charge, except as disclosed in the financial statements. There are no plans or intentions that are likely to affect the carrying value of the assets within the financial statements.
31. There have been no material events since the date of the balance sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities
32. I confirm there are no issues or deficiencies in internal control that require to be disclosed.
33. There are no known liabilities or claims against the Trust that would impact the income and expenditure contained within the financial statements.

34. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Yours sincerely

Bryan Smail
Chief Finance Officer

Appendix D: Non-Adjusted Errors within the 2013/14 Financial Statements

Below is a summary of the non-adjusted error which has not been processed in the financial statements, with an explanation.

2013/14 Financial Statements	DR £000	CR £000
Comprehensive Income and Expenditure Statement		
Cost of Services	476 (11 + 350 + 115)	
Total	476	
Balance Sheet		
Inventories		11
Creditors		115
Defined Benefit Pension Scheme Liability		350
General Fund		465 (350 + 115)
Pensions Reserve	350	
Accumulated Absences Account	115	
Total		476
Net Total	941	941

NB - The total unadjusted error is not material to the financial statements and does not impact on our audit opinion.