

## **EXTERNAL AUDIT – AUDIT RESULTS REPORT - ISA(UK & IRELAND) 260**

### **1 Purpose**

- 1.1 To allow the Audit Committee to review the draft Audit Results Report – ISA260 and from the External Auditors and the agree the letter of representation.

### **2. Recommendations/for decision**

- 2.1 The Committee is asked to receive the External Auditors' report to those charged with governance and to:
- (i) Note the matters raised in the report and any other comments made by the External Auditors in its introduction to the item.
  - (ii) to note and agree the contents of the letter of representation to be signed by the Chairman of the Audit Committee

### **3. Supporting information**

- 3.1 The Council is required to receive the report from the External Auditors to those charged with governance at a formal committee meeting before the end of September 2016.
- 3.2 In addition the committee is required to approve the content of the letter of representation which has to be signed by the Chairman of the Audit Committee.

### **4. Reasons for Recommendation**

This report is an integral part of the independent external audit review process.

### **5. Resource implications**

None.

Contact Officer                      Kate Mulhearn 01296 585724  
Background Documents              None

# Aylesbury Vale District Council

Audit Results Report - ISA (UK and Ireland) 260  
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



Building a better  
working world

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of Responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of Responsibilities. This report is intended solely for the use of the members of the audited body. We, as appointed auditor, take no responsibility to any third party.

**Our Complaints Procedure** – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# 1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work carried out to discharge our statutory audit responsibilities, together with any governance issues identified. This report summarises findings from the 2015/16 audit, which is substantially complete. It includes messages arising from our audit of the financial statements and the results of our work to assess arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.

We show below the results and our conclusions on the significant areas of the audit.

Status of the audit	<p>We have substantially completed our audit of the financial statements for the year ended 2015/16. Subject to satisfactory completion of the outstanding items included in Appendix B.</p> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the financial statements.</p> <p>We expect to conclude that the Council has put in place proper arrangements to secure value for money in its use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) for the Whole of Government Accounts submission. We had no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>There are no unadjusted audit differences.</p> <p>Our audit identified a number of audit differences which our team have highlighted to management for amendment. The majority of these are below our reporting threshold and all have been corrected during the audit. There was one audit difference which was above our reporting threshold and further details are provided at Appendix A.</p>
Scope and materiality	<p>In our audit plan presented at the 21 March 2016 Audit Committee meeting, we set materiality of £2.12 million when deciding on our audit procedures. We have reassessed this based on the Council's actual results and we have decreased this amount to £1.95 million</p> <p>The reason for the decrease in planning materiality was a lower operating expenditure in 2015/16 compared to the Authority's 2014/15 outturn.</p> <p>The basis of our assessment is 2% of gross operating expenditure.</p> <p>The threshold for reporting audit differences which have an impact on the financial statements is £1.46 million.</p>
Significant audit risks	<p>We identified the following audit risks during our planning, and reported them in our audit plan:</p> <ul style="list-style-type: none"> <li>• PPE valuation;</li> <li>• complex supplier arrangements;</li> <li>• risk of management override; and</li> </ul>

- 
- Value for Money - Balanced budget and long term financial planning. 'Addressing audit risks' sets out how we have gained audit assurance over those issues during the audit.
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Other reporting issues      We have no other matters to report.

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Control observations      We have adopted a fully substantive approach and have therefore not tested the operation of controls.

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We would like to take this opportunity to thank the Council's staff for their assistance during the audit.

Maria Grindley

Executive Director  
For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements, and any planned changes in future.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Purpose of our work

Our audit was designed to:

- express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- report by exception on the AGS;
- consider and report any matters that prevent us being satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion); and
- discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

This report also contains our findings on any areas of audit emphasis and our views on any significant deficiencies in internal control or the Council's accounting policies and key judgements.

We also review and report to the National Audit Office on the Whole of Government Accounts return. The extent of our review is specified by the National Audit Office.

### 3. Financial statements audit

#### Addressing audit risks

We identified the following audit risks when we planned our audit, and reported them in our Audit Plan. We set out below how we have gained the necessary audit assurance.

A significant audit risk is an inherent risk which is both more likely to happen and has a greater effect if it does happen; so it requires special audit consideration. For significant risks, we obtain a relevant understanding of the entity's controls and assess their design and implementation.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p><b>Property, Plant and Equipment – Valuations</b></p> <p>Due to the complexity in accounting for property, plant and equipment, the cyclical approach to valuations, and the material values involved, there is a higher risk that asset valuations contain material misstatements.</p> <p>We also identified an error that required amendment in the prior year. The error was caused by incorrect accounting of upward revaluations of assets between the CIES and the Revaluation Reserve.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>· Relied on management's experts and reviewed the instructions given to that valuer;</li> <li>· Considered the accounting treatments and basis of valuation as required by the Code; and</li> <li>· Tested the appropriateness of PPE journal entries ensuring that they are in line with the Councils accounting policies.</li> </ul>	<p>Our testing did not identify any issues relating to the valuation of property, plant and equipment.</p> <p>The Council used an appropriate valuer and the results of the valuations made were in line the Code and the Council's accounting policies.</p>
<p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>· Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>· Reviewed accounting estimates for evidence of management bias; and</li> <li>· Evaluated the business rationale for any significant unusual transactions.</li> </ul>	<p>Our testing of journal entries did not identify adjustments which were outside of the normal course of business. All journals tested had an appropriate business rationale.</p> <p>The most significant accounting estimates in the financial statements relate to the net pension liability, property valuations and NDR appeals provision. We found no indication of management bias in these estimates.</p> <p>We did not identify any evidence of management override or fraudulent activity.</p>
<p><b>Risk of fraud in revenue recognition</b></p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have reviewed this risk for the Council's income and expenditure streams and identified the capitalisation of revenue expenditure on Property, Plant and Equipment as an area for review given the extent of the Council's capital programme.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>· Reviewed and tested revenue and expenditure recognition policies;</li> <li>· Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;</li> <li>· Developed a testing strategy to test material revenue and expenditure streams;</li> <li>· Reviewed and tested revenue cut-off at the period end date; and</li> <li>· Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</li> </ul>	<p>Our testing gave us no concerns as to inappropriate revenue and expenditure recognition through fraudulent or biased management decisions.</p>



We also identified the following 'other' audit risks.

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p><b>New General Ledger System</b></p> <p>The Council have changed their general ledger system during the year (from 01 June 2015).</p> <p>The main reason for this was to improve the control environment of the system as the old system, Aptos, had a number of historical control issues.</p> <p>There is a risk around the transfer of data between these systems, in particular that that opening balances will be incorrect.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>· Tested the transfer of data between the two general ledger systems and ensured that the opening balances were accurate;</li> <li>· Walked through the new general ledger system and identify controls in place; and</li> <li>· Substantively tested transactions from these systems.</li> </ul>	<p>The testing of opening balances did not identify any issues.</p> <p>We did walk through the new system and its design of controls in place and we are aware of the work performed by internal audit around the effectiveness of these controls.</p> <p>As a result we have taken a fully substantive approach to the audit.</p>
<p><b>Group Accounts</b></p> <p>The Council set up three new companies in 2015: AVB Broadband , a 95% owned subsidiary Novae Consulting , a 100% owned subsidiary Vale Commerce Ltd, a 100% owned subsidiary The Council has been preparing group accounts for a few years now in respect of AVE.</p> <p>The Council continues to assess these interests as quantitatively and qualitatively material to the group and therefore the Council will continue to consolidate the companies into the Council's group accounts as required by the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice).</p> <p>However, there has been a significant change to the group structure in year which poses the risk that the group financial statements do not meet the requirements as defined by the Code.</p>	<p>We reviewed and tested whether the Council has:</p> <ul style="list-style-type: none"> <li>· Identified all potential group entities;</li> <li>· Adopted and correctly applied accounting policies that comply with the requirements of the Code;</li> <li>· Consolidated the companies' accounts appropriately into the group accounts; and</li> <li>· Made all appropriate disclosures in accordance with adopted accounting policies and requirements of the Code.</li> </ul>	<p>We have confirmed all of the group entities and tested the consolidations and disclosures within the accounts. This did not identify any issues.</p>
<p><b>Pension Liability</b></p> <p>The pension liability is considered a significant estimate in relation to its size. In 2014/15, the liability stood at £90.3m.</p> <p>There is a risk that small movements in the estimation could lead to material misstatement if the estimation is not robust.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>· Considered reliance on management's experts and reviewed the data given to Barnett Waddingham;</li> <li>· Considered the accounting treatment and IAS 19 requirements as set out by the Code; and</li> <li>· Used EY Pension specialists in reviewing actuary assumptions and other relevant data.</li> </ul>	<p>We have reviewed the outputs of the IAS 19 report from Barnett Waddingham and used our pension's specialist to confirm the accounting entries for the Pension Liability.</p> <p>This did not identify any issues.</p>
<p><b>Provision for Business Rate Appeals</b></p> <p>In 2013/14 the Council was required to calculate a provision for business rate appeals for the first time. We found that the Council had developed an appropriate methodology for the estimate.</p> <p>This methodology needs to be reassessed to ensure that the assumptions made remain appropriate to prepare a reliable estimate.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>· Reviewed the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37 and that the assumptions underlying the estimate are reasonable.</li> <li>· As part of this we ensured the provision was supported by appropriate evidence and that any level of estimation uncertainty is adequately disclosed in the accounts.</li> </ul>	<p>We have reviewed the provision and supporting disclosures in place and confirmed that it is in line with IAS 37.</p> <p>Our work did not identify any issues.</p>

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must raise significant findings from the audit and any other matters significant to oversight of the Council's financial reporting process, including the following:

- qualitative aspects of accounting practices, estimates and disclosures;
- matters specifically required by other auditing standards to be reported to those charged with governance, e.g. issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- any significant difficulties encountered during the audit; and
- other audit matters of governance interest.

We wish to report the following matters:

- In line with the Accounts and Audit Regulations 2015, the Council are required to have a period for the exercise of public rights (i.e to allow for inspection and objections to the accounts) for a period of 30 working days and must include the first 10 working days of July. The Council did not meet this requirement as they did not start this period until 5 August 2016.

## Control themes and observations

It is the Council's responsibility to develop and implement systems of internal financial control and to have proper arrangements to monitor their actual adequacy and effectiveness. Our responsibility as auditor is to consider whether the Council has arrangements to satisfy itself that this is indeed the case.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

We have reviewed the Annual Governance Statement and can confirm that it is not misleading or inconsistent with other information arising from the audit or our knowledge of the Council.

## Request for written representations

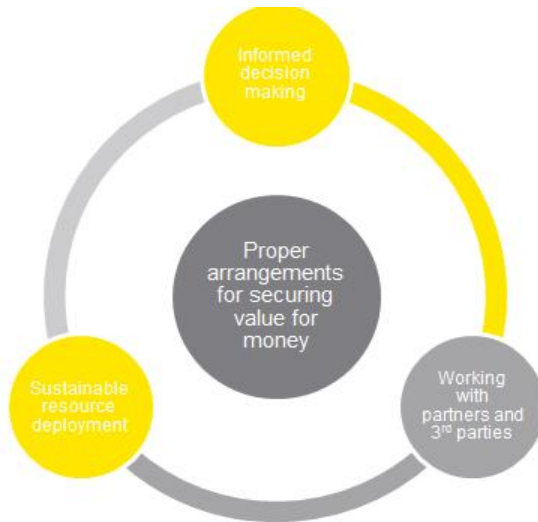
We have asked for a representation letter to gain management's confirmation on a number of matters, as outlined in the papers for the Audit Committee on 26 September 2016.

## Whole of Government Accounts

We also review and report to the National Audit Office on the Council's Whole of Government Accounts return. The extent of our review is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit Committee on 26 September 2016.

## 4. Value for money



We must consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They consist of the Council's arrangements to:

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

### Overall conclusion

We identified one significant risk for these criteria:

- Balanced budget and long term financial planning

We have performed the procedures as outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements.

We therefore expect to conclude that the Council has proper arrangements to secure value for money in its use of resources.

### Significant risks

The table below presents the findings of our planned work:

VFM risk identified in our audit plan	Has an impact on arrangements for:	Key findings
<p><b>Balanced budget and long term financial planning</b></p> <p>The Council's finances continue to be under significant pressure in the medium term. In its Medium Term Financial Plan 2016/17 – 2018/19 the Council has identified a budget gap of £5.6 million.</p> <p>The achievement of the Council's Financial Plans to date has been good, with savings identified to close the budget gaps.</p> <p>However, the Council has to continue to deliver significant savings year on year in order to bridge the gap and balance its budget.</p>	<ul style="list-style-type: none"> <li>· Taking informed decisions;</li> <li>· Deploying resources in a sustainable manner; and</li> <li>· Working with partners and other third parties.</li> </ul>	<p>We have used PSAA's value for money profile tool to assess Council's spending against similar District Councils..</p> <p>We have reviewed and assessed the assumptions within the Council's 2016/17 budget and medium term financial plan.</p> <p>We have no matters to report from this work.</p>

## Appendix A – Corrected audit differences

We identified the following corrected differences greater than £1.46 million during our audit which we believe we should report to the Committee.

These items have been corrected by management in the revised financial statements.

### Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
Non Distributed Costs – Expenditure		(2,007)
Other SERCOP headings - Expenditure		2,007
The Council had incorrectly classified a number of pensions expenditure items within Non Distributed Costs. This expenditure has been reclassified across the other service cost headings in line with guidance.		
Cumulative effect of adjusted differences		0

## Appendix B – Outstanding matters

The following items are outstanding at the date of this report:

Item	Actions to resolve	Responsibility
Management representation letter	Receive signed letter of representation	Management and Audit Committee
Subsequent events review	Complete the subsequent events procedures up to the date the audit report is signed	EY and management
AVE audited accounts	Receive audited accounts for AVE	Management
Whole of Government Accounts	Preparation and submission by management and review of the submission by EY.	EY and management
Final completion of audit procedures and review by the Executive Director	Management and EY to work together to complete any outstanding work, including: <ul style="list-style-type: none"> <li>- Reserves</li> </ul>	EY and management

## Appendix C – Independence

We confirm that there are no changes in our assessment of independence since our confirmation in the Audit Plan dated 21 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we do not know of any relationships that may affect the independence and objectivity of the firm and which auditing and ethical standards require us to report to you.

We consider that our independence in this context is a matter that should be reviewed both by the Council and by us. It is therefore important that you consider any facts you know about and come to a view. If you wish to discuss any matters concerning our independence, we will be happy to do so at the Audit Committee on 26 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan for doing this was set out in the Audit Plan of 21 March 2016.

## Appendix D – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	56,785	56,785	n/a
Certification of claims and returns	11,286	11,286	n/a

Our actual fee is in line with the scale fee set by the PSAA, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside the PSAA's requirements.

## Appendix E – Required communication with the audit committee

We must provide certain communications to the Audit Committees of UK clients, as detailed below:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>· Our view on the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>· Any significant difficulties encountered during the audit</li> <li>· Any significant matters arising from the audit and discussed with management</li> <li>· Written representations requested from management</li> <li>· Expected modifications to the audit report</li> <li>· Any other matters significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>· Whether the events or conditions constitute a material uncertainty</li> <li>· Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>· The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Aylesbury Vale District Council's ability to continue as a going concern for the 12 months from the date of our report.
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>· Uncorrected misstatements and their effect on our audit opinion</li> <li>· The effect of uncorrected misstatements relating to prior periods</li> <li>· A request for any uncorrected misstatement to be corrected</li> <li>· In writing, any significant corrected misstatements</li> </ul>	Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>· Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>· Any fraud we have identified or information obtained indicating that a fraud may exist</li> <li>· A discussion of any other matters related to fraud</li> </ul>	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>· non-disclosure by management</li> <li>· inappropriate authorisation and approval of transactions</li> <li>· disagreement over disclosures</li> <li>· non-compliance with laws and regulations</li> <li>· difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have not matters we wish to report.



Required communication	Reference
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>· Management's refusal for us to request confirmations</li> <li>· Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	We have received all requested confirmations.
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>· Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>· Ask the audit committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and which the audit committee may know about</li> </ul>	We have not identified any material instances of non-compliance with laws and regulations.
<p><b>Independence</b></p> <p>Communication of all significant facts and matters bearing on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>· the principal threats</li> <li>· safeguards adopted and their effectiveness</li> <li>· an overall assessment of threats and safeguards</li> <li>· information about the general policies and processes to maintain objectivity and independence</li> </ul>	Audit Plan and Audit Results Report
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	Audit Results Report
<p><b>Group audits</b></p> <ul style="list-style-type: none"> <li>· An overview of the type of work to be performed on the financial information of the components</li> <li>· An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>· Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>· Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>· Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	Audit Plan Audit Results Report
<p><b>Fee Information</b></p> <p>Breakdown of fee information at the agreement of the initial audit plan</p> <p>Breakdown of fee information at the completion of the audit</p>	Audit Plan Audit Results Report
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>· Summary of certification work undertaken</li> </ul>	Certification Report

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# AYLESBURY VALE DISTRICT COUNCIL

## Director

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Email: ASmall@aylesburyvaledc.gov.uk  
Our Ref:  
Your Ref:



14 September 2016

Ernst & Young LLP  
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Dear Maria,

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Aylesbury Vale District Council ("the Group and Council") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Aylesbury Vale District Council as of 31 March 2016 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.



3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 for the Group and Council that are free from material misstatement, whether due to fraud or error
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

#### **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.

#### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.
2. We are aware that we were not fully compliant with the Accounts and Audit Regulations 2015, in that the inspection period for the public did not cover the first ten working days of July. We have complied with all other requirements by allowing 30 working days for the public to inspect and object to the accounts. We can confirm that we have not had any correspondence from the public during this period.

#### **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - 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;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit Committees held through the year.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

#### **F. Subsequent Events**

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

#### **G. Reserves**

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

#### **H. Contingent Liabilities**

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated and council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and council financial statements).

#### **I. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the valuation, IAS 19 actuarial valuations of pension fund liabilities and the estimation of the provision for NDR appeals and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists 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 had an effect on the independence or objectivity of the specialists.

**J. Pensions Liability, PPE Valuations and NDR Appeals estimates**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We confirm that the significant assumptions used in making the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

**K. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

*Yours sincerely,*

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Director (responsible for finance)

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Chair of the Audit Committee