

Report to Audit committee
22 September 2015
Report of Chief finance officer
Subject Audit results report 2014-15

Item

6

Purpose

This report presents the Audit Results Report 2014-15.

Recommendation

The committee is asked to:

- (1) review and note the attached report from the Council's external auditor;
- (2) approve the draft letter of management representation presented in Appendix B of the report; and
- (3) note the uncorrected audit misstatements of the report under Appendix 1 'Uncorrected audit misstatements' of the Audit results report.

Corporate and service priorities

The report helps to meet the corporate priority "Value for money services".

Financial implications

The report has no direct financial consequences however it does report on the performance of the council and the provision of value for money services.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

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Philippa Dransfield, chief accountant, LGSS 01603 212562

Background documents

None

Report

Background

1. The audit results report (appended to this report as appendix A) summarises the findings from the 2014-15 external audit which is substantially complete. It includes the messages arising from the audit of council's financial statements and the results of the work undertaken to assess arrangements to secure value for money in the council's use of resources.

Adjustments to the financial statements

2. The audit committee should note the adjustments made to the financial statements and those factual errors which have not been adjusted.
3. The audit identified three factual misstatements which management has chosen not to adjust, these are identified in Appendix 1 of the Audit results report. Rationale for not adjusting these misstatements is detailed below and has been agreed by External Audit:
 - (a) Under accrual of £0.234m and over accrual of £0.218m both in relation to HRA capital expenditure. The net of the two amounts is £16,000 which is not material;
 - (b) Understatement of the bad debt provision for sundry debtors of £0.165m. If adjusted, this would impact on each service area and would result in changes ranging from £100 to £68,000 – the amounts involved are considered immaterial.

Letter of Representation

4. The audit committee is asked to approve the letter of representation on behalf of the council before the audit opinion and conclusion is issued (attached to this report as appendix B).

Qualitative aspects of accounting practices

5. The audit results report details areas of inefficiency/weakness relating to non-current assets. These relate to the current spreadsheet used as a Fixed Asset register. The council plans to introduce a new fixed asset register alongside its new financial system which will address these issues.

VFM risks

6. The audit results report places higher focus this year on the financial resilience of the council but takes assurance from the council's track

record of achieving savings and from the high level of general fund reserves held.

Norwich City Council

Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

14 September 2015



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Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/2015 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- ▶ As of 11 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements adequately.

Value for money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- ▶ We do not expect to report any significant matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Section 2

Extent and purpose of our work

Extent 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. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- ▶ The Council is also responsible for putting in place 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 2014/15 financial statements and the consistency of other information published with them
 - ▶ Report on an exception basis on the Annual Governance Statement
 - ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)
 - ▶ Discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

As a component auditor, we also follow the NAO group instructions and report the results on completion of the WGA work through the Assurance Statement to the NAO and to the Council..

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Section 3

Addressing audit risks

Addressing audit risks – significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
<p>► Significant audit risks (including fraud risks)</p>		
<p>We have commented in previous years on weaknesses in the spreadsheets used as a fixed asset register. The register is difficult to use and does not produce quality management information. This has contributed to errors and increased audit testing in previous years.</p> <p>Due to the complexity in accounting for property, plant and equipment and the material values involved, these weaknesses increase the risk that asset valuations and capital expenditure contain material misstatements.</p>	<ul style="list-style-type: none"> ► Evaluated the competence, capabilities and objectivity of the Council's valuation expert; ► Obtained an understanding of the work of the expert; ► Compared valuation reports to industry valuation trends; and ► Tested the accounting treatment of valuations made in the year, including the assessment and treatment of impairments. 	<ul style="list-style-type: none"> ► At the time of writing this report, the work has not been concluded.
<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>One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.</p>	<ul style="list-style-type: none"> ► Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ► Reviewed accounting estimates for pensions, asset valuations and NNDR appeals provision for evidence of management bias; ► Evaluated the business rationale for any significant unusual transactions; and ► Tested the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure. 	<ul style="list-style-type: none"> ► We did not identify any material misstatements, evidence of management bias or significant unusual transactions in our testing. ► At the time of writing this report, testing of Property, Plant and Equipment additions has not been concluded

Addressing audit risks – other audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Other audit risks		
<p>The Council uses large contracts and partnerships in the delivery of services. There are new accounting requirements when assessing the nature of these arrangements to determine the group boundary. This will involve deciding whether they create functional bodies and other group entities which now fall within the group boundary and therefore require consolidating into the Council's financial statements</p>	<ul style="list-style-type: none"> ▶ Identified arrangements that are within the scope of group accounting. ▶ Assessed where overall control lies with regard to the operation and delivery of services for those arrangements. This included identifying relevant activities and who has the ability to direct the relevant activities, and assessing whether the Council is exposed, or has rights, to variable returns from its involvement. ▶ Evaluated the quantitative and qualitative aspects of the arrangements. 	<ul style="list-style-type: none"> ▶ We agree with the Council assessment of the arrangements that fall within the group boundary, and the conclusion that consolidating into the Council's Financial Statements was not required on the grounds of materiality. ▶ We have agreed the latest trading results for the associate arrangements as disclosed in note 33, and the contractual arrangements and transactions reported in note 46.
<p>Councils need to provide for business rates appeals and will need to consider the following when estimating the provision:</p> <ul style="list-style-type: none"> ▶ Assessing appeals made to the Valuation Office. Councils may not be aware of the level or extent of claims and may also find it difficult to obtain sufficient information to establish a reliable estimate for the appeal provision; and ▶ Making assumptions about how far appeals may be backdated. 	<ul style="list-style-type: none"> ▶ Reviewed the detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice; and ▶ Tested the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37. As part of this we will ensure the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts. 	<ul style="list-style-type: none"> ▶ The accounting transactions for the business rates appeals provision are materially accurate and compliant with the CIPFA Code of practice; and ▶ We have agreed the Council's calculation of the provision for business rates appeals. This included agreement of total outstanding appeals to the Valuation Office report, testing reasonableness of success rates and rateable value adjustments applied, and benchmarking results with other Councils.

Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Audit Committee meeting:
 - ▶ Property, plant and equipment valuations and additions
 - ▶ Related party transactions
 - ▶ Cash transaction testing
 - ▶ Completion of Manager and Director review procedures
 - ▶ Receipt of a Letter of Representation and signed accounts
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected misstatements

- ▶ We have identified three misstatements within the draft financial statements, which management has chosen not to adjust.
- ▶ We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter or Representation
- ▶ Appendix 1 to this report sets out the uncorrected misstatements.

Corrected misstatements

- ▶ Our audit identified a number of further misstatements which our team have highlighted to management for amendment. All of these have been corrected during the course of our work.
- ▶ None of these items were significant and therefore we have not included further detail within this report.

Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:
 - ▶ Qualitative aspects of your accounting practices; estimates and disclosures;
 - ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, 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
- ▶ The Council continues to use spreadsheets as a fixed asset register. The weaknesses in the spreadsheets that we have reported in prior years apply to 2014/15. The register is difficult to use and does not produce quality management information.
- ▶ We understand the Council is planning to implement a new fixed asset register alongside a new general ledger. Every year that the Council delays in implementing a new fixed asset register makes the task more difficult as officers will have to consider data as far back as 1 April 2007, when the revaluation reserve was first introduced.

We have no other matters we wish to report.

Financial statements audit – application of materiality

Our application of materiality

- ▶ When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
<p>Planning materiality and tolerable error</p>	<p>We determined planning materiality to be £2,712,000 (2014: £2,581,260). This is 1.5% of gross expenditure reported in the accounts of £180,852,000, adjusted for payments to the capital receipts pool, interest payable and pensions interest cost.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion.</p> <p>We have set tolerable error at the lower level of the available range because errors identified in the Council's 2013/14 financial statements exceeded planning materiality, and there were two uncorrected errors.</p>
<p>Reporting threshold</p>	<p>We report to the Audit Committee all audit differences in excess of £135,600 (2014: £129,063)</p>

Financial statements audit – application of materiality (cont.)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas,. The areas identified and audit strategy applied include:

Area	Strategy applied
Remuneration disclosures, including exit packages and termination benefits	A reduced materiality level of £5,000 is applied to our testing of disclosures for completeness and accuracy. This is in line with the bandings reported in the accounts.
Related party transactions	A reduced materiality level of £135,600 is applied to testing of disclosures for completeness and accuracy. We also carried out a sample check of Companies House searches on contracts from the Council's contract register to identify whether any key decision-makers in the Council had an interest in the company. We did not identify any interests that should have been declared.
Members allowances	A reduced materiality level of £135,600 is applied to testing of disclosures for completeness and accuracy.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- ▶ It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- ▶ We have only tested key payroll system controls of the Council, for all other areas as we have adopted a fully substantive approach to our audit, as we have assessed this as the most efficient approach. We are therefore not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have reviewed the Annual Governance Statement and can confirm that:
 - ▶ It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
 - ▶ It is consistent with other information that we are aware of from our audit of the financial statements.
- ▶ We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

- ▶ We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any specific representations.

Whole of Government Accounts

- ▶ Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- ▶ We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

Section 5

Arrangements to secure economy, efficiency and effectiveness

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Norwich City Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 – arrangements for securing financial resilience

- ▶ 'Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'
- ▶ Since issuing our Audit Plan on 5 March 2015, we have identified a significant risk in relation to this criteria:
 - ▶ In its medium term financial strategy (MTFS), approved in February 2015, the Council identified a cumulative budget gap of £4.6 million over the next three years. The MTFS is based on a number of assumptions, including an estimate of the future levels of Government funding.
 - ▶ The MTFS currently places reliance on £6.4 million of funding from existing New Homes Bonus over the period 2015/16 to 2017/18 and a planned use of reserves of £1.1 million over the same period to fund the base budget. Any reduction in Government funding in future years, together with an increased use of reserves represents a risk to achievement of the Council's future budgets.
- ▶ This risk reflects the size of the budget gap the Council is facing over the next few years, as a result of reduced funding and increasing demands for services. This is in line with the challenges being faced by many other councils across the country.
- ▶ We have now completed our work in this area and have concluded that the Council has adequate arrangements in place for securing financial resilience. We set out how we addressed the identified risk on the next page.

Criteria 2 – arrangements for securing economy, efficiency and effectiveness

- ▶ 'Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'.
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We have now completed our work in this area and have no issues to report in relation to this criteria.

Addressing audit risks – significant VFM risks

We identified the following VFM risk and set out below how we have gained audit assurance over those issues.

A significant audit risk in the context of the value for money conclusion is the risk that the auditor may issue the wrong value for money conclusion. Where auditors identify a significant value for money conclusion risk they will need to undertake additional audit work to enable them to reach an appropriate conclusion.

VFM risk identified	Audit procedures performed	Assurance gained and issues arising
<p>Financial resilience</p> <p>In its medium term financial strategy (MTFS), approved in February 2015, the Council identified a cumulative budget gap of £4.6 million over the next three years. The MTFS is based on a number of assumptions, including an estimate of the future levels of Government funding.</p> <p>The MTFS currently places reliance on £6.4 million of funding from existing New Homes Bonus over the period 2015/16 to 2017/18 and a planned use of reserves of £1.1 million over the same period to fund the base budget. Any reduction in Government funding in future years, together with an increased use of reserves represents a risk to achievement of the Council's future budgets</p>	<p>We considered the following factors in relation to the risk identified :</p> <ul style="list-style-type: none"> ▶ The Council's historic financial performance, including its ability to deliver challenging savings targets; ▶ The Council's current financial position and level of reserves; ▶ The Council's processes for setting its budget, and the nature of the budget assumptions; ▶ The competency of the Council's finance team; and ▶ The political stability of the Council; ▶ The current position on the 2015/16 budget; ▶ Review the progress made by the Council in identifying savings necessary to reduce the 2016/17 budget gap; ▶ Consider the impact on the Council's finances of any errors identified by our 2015/16 audit; and ▶ Consider the impact on the Council's finances of any announcements relevant to local government finance in the Chancellor's stability budget on 8 July. 	<p>The Council's track record of achieving savings and high level of general fund reserves, which are forecast to remain above the required minimum level over the period of the MTFS, reduce the risk of the Council failing to effectively set and achieve its budgets over the medium term.</p> <p>The Council have taken a prudent approach to future Government funding by assuming no new New Home Bonus and phasing out of formula funding by 2019/20.</p> <p>The Council should continue to identify the savings necessary to reduce the 2016/17 and 2017/18 budget gaps and progress the service delivery reviews to minimise the use of reserves over the longer term.</p>

Section 6

Independence and audit fees

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 5 March 2015.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. 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 are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 22 September 2015.

- ▶ 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 to meet these requirements were set out in our Audit Plan of 5 March 2015.

Audit fees

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

	Proposed final fee 2014/15	Scale fee 2014/15	Variation comments
	£	£	
Audit Fee: Code work	106,552	106,552	No change proposed
Certification of claims and returns	38,310	38,310	No change proposed

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Appendix 1 - Uncorrected audit misstatements

- ▶ The following misstatements have been identified during the course of our audit.
- ▶ These items have not been corrected by management.

Balance Sheet and Statement of Comprehensive Income and Expenditure

Item of Account	Nature	Type	Balance Sheet	Statement of Comprehensive Income & Expenditure
	Description	Factual/ Projected	Debit/(Credit)	Debit/(Credit)
1. Short term creditors	Testing of new year transactions for unrecorded liabilities identified one 2014/15 transaction where no accrual was raised to charge the expenditure to 2014/15.	Factual	(£234,554)	£234,554
2. Short term creditors	Due to error (1) we extended the testing of new year transactions and identified three further unrecorded liabilities. All three were below the Council's de-minis (£5,000) for accruals accounting.	Projected *	(£224,117)	£224,117
3. Short term creditors	Testing short term creditors identified one overstatement of a creditor balance.	Factual	£218,000	(£218,000)
4. Short term creditors	Due to error (3) we extended the testing of short term creditors and identified 1 further overstatements of creditor balances.	Projected *	£477,771	(£477,771)
5. Short term debtors	Understatement on bad debt provision for sundry debtors.	Factual	(£165,000)	£165,000
Total			£72,100	(£72,100)

* Projected misstatement based on audit sample error and population extrapolation

EY | Assurance | Tax | Transactions | Advisory

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ED None

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22 September 2015

**Rob Murray
Audit Director
Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ**

Dear Rob

**Audit of Financial Statements 2014/15
Letter of Representation**

This representation letter is provided in connection with your audit of the financial statements of Norwich City Council (“the Council”) for the year ended 31 March 2015. 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 financial statements give a true and fair view of the financial position of Norwich City Council as of 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), 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 the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. We have approved the financial statements.
3. We confirm that the Responsible Officer has:
 - Reviewed the accounts
 - Reviewed all relevant written assurances relating to the accounts; and
 - Made other enquiries as appropriate.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. We believe that the Council has 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 2014/15 that are free from material misstatement, whether due to fraud or error.
6. We believe that the effects of any unadjusted audit differences, summarised in Appendix 1, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The total value of factual errors found represents an error of £16,554 on short term creditors and £165,000 on short term debtors with a net impact on the Income and Expenditure statement and Balance Sheet totals of £181,554. When projected errors are taken into account these figures are £237,100 on short term creditors and £165,000 on short term debtors but with a net impact on the Income and Expenditure statement and Balance Sheet totals of just £72,100. Given the inherent difficulty of adjusting for projected errors and that adjusting for just the factual errors would result in a higher remaining net impact on both the Income and Expenditure statement and Balance Sheet none of the errors have been corrected.

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 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 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 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 financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

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 as agreed in terms of the audit engagement;
 - 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 financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Audit committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 9 September 2015.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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 period 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 financial statements.
5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the 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 financial statements.
2. We have informed you of all outstanding and possible litigation and claims which might impact the 2014/15 accounts, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. There are no guarantees that we have given to third parties.

F. Subsequent Events

1. As described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H 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.

I Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate non-current assets and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the 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 had an effect on the independence or objectivity of the experts.

Yours sincerely

Chief Finance Officer

I confirm that this letter has been discussed and agreed at the Audit Committee on 22 September 2015

Chair of Audit Committee