

Report to Audit committee
24 September 2013
Report of Chief finance officer
Subject Audit results report 2012-13

Item

6

Purpose

This report presents the audit results report 2012-13.

Recommendation

That the committee:

- (1) reviews and notes the attached report from the council's external auditor;
- (2) approves the draft letter of management representation presented in Appendix B of the report; and
- (3) notes the unresolved issues detailed in section 3 of the report under 'Significant qualitative aspects of accounting practices'..

Corporate and service priorities

The report helps to meet the council priority to provide 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

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Caroline Ryba, chief finance officer	01223 699292
Philippa Dransfield, chief accountant	01603 212562

Background documents

None.

Report

Background

1. The audit results report summarises the findings from the 2012-13 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 errors which have not been adjusted:
 - (a) The audit identified two material errors and seven non-trivial errors which officers have adjusted for in the financial statements. The detail on the impact of these errors is in the covering report to the statement of accounts.
 - (b) The audit identified a material error in a primary statement detailed in section 8 of the ARR, which officers have adjusted for in the financial statements.
 - (c) At 31 March 2013 there were one area of uncertainty which was not adjusted for which is detailed in section 8 of the ARR.

Letter of representation

2. The audit committee is asked to approve the letter of representation on behalf of the council before the audit opinion and conclusion is issued.

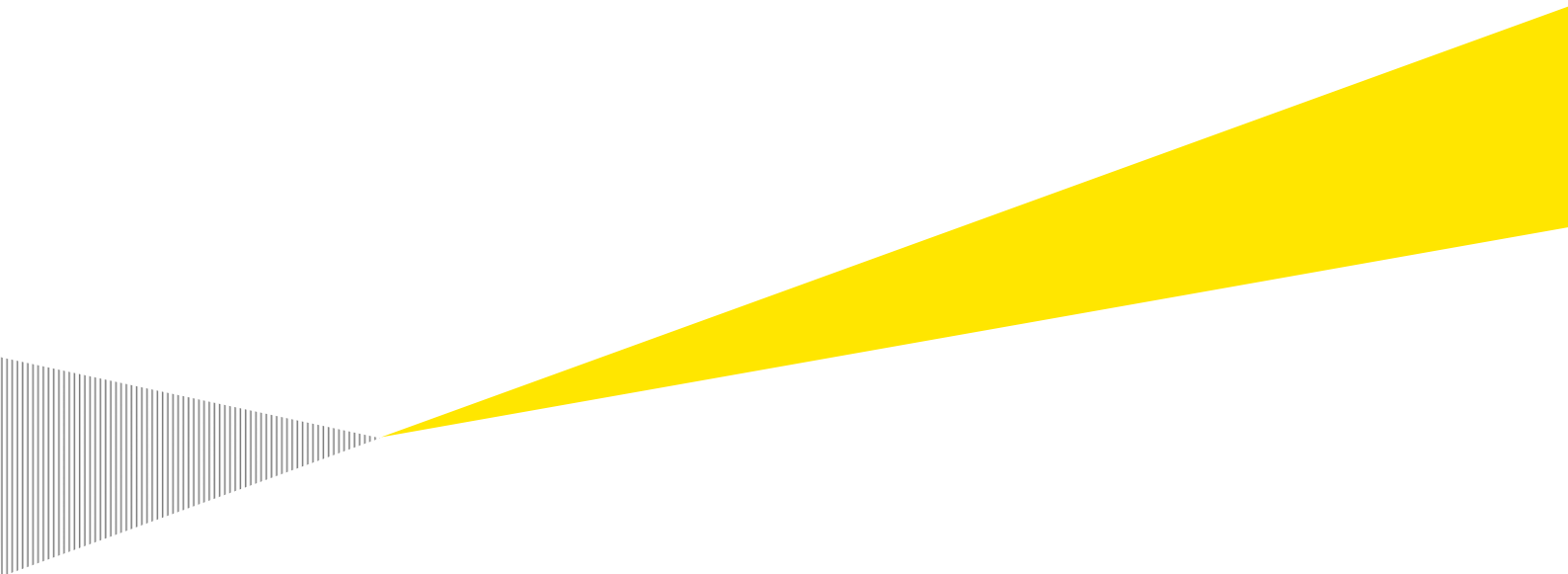
Proposed action plan

3. There are areas which remain unresolved from the IAS260 report from 11-12 which relate to property, plant and equipment, the detail of which is in section 3 of the report under significant qualitative aspects of accounting practices.

Norwich City Council

Audit Results Report (ISA260) for the year ended
31 March 2013

Issued 18 September 2013



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Private and confidential

Audit Committee Chair
Norwich City Council
City Hall
St Peter's Street
Norwich
NR2 1NH

24 September 2013

Dear Sir

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to Norwich City Council (the Authority's) financial position and results of operations for 2013.

The audit is designed to express an opinion on the 2012/13 financial statements, reach a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Authority's accounting policies and judgments and material internal control findings.

This report is intended solely for the information and use of the Audit Committee and the Authority. It is not intended to be and should not be used by anyone other than these specified parties.

A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you at the audit committee meeting scheduled on 24 September 2013.

Yours faithfully
For and on behalf of Ernst & Young LLP

Andy Clewer
Partner
Ernst & Young LLP
United Kingdom
Enc.

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (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. It is addressed to the Members of the audited body, and is prepared for their sole use. 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. Overview of the financial statement audit

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ Forming an opinion on the financial statements;
- ▶ Forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ Undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Financial statements

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified opinion on the Authority's financial statements. Our main findings in relation to the areas of risk/areas of audit emphasis included in our Audit Plan are set out in section 3 of this report.

Economy, efficiency and effectiveness

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified value for money conclusion.

Whole of Government accounts

We are currently completing our work required to issue our report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts. To date, we have no issues to report.

Control themes and observations

Our audit did not identify any control issues that we need to bring to your attention.

Summary of audit differences

Our audit identified a number of errors which we have highlighted to management for amendment. All of these have been adjusted during the course of our work. There was one material adjustment to a primary statement, the cashflow statement, and brief details of this have been provided in section 8. Of the remaining adjusted items, none had a material impact on the primary statements and so we have not provided further details of these amendments.

In section 8 we highlight the one judgemental difference which was not corrected by management.

2. Scope update

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan that we issued on 19 March 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Our work comprises a number of elements. In our Audit Plan, we provided you with an overview of our audit scope and approach for the audit of the financial statements, our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and the work that we are required to perform in respect of the Whole of Government Accounts return.

We carried out our work in accordance with our Audit Plan.

3. Significant findings from the financial statement audit

In this section of our report, we outline the main findings from our audit of your financial statements, focusing our conclusions in relation to the areas of risk/areas of audit emphasis outlined in our Audit Plan.

Significant risk 1:

Opening balances

As a first year engagement, the application of professional judgement resulted in a lower materiality level than applied by your previous external auditor. We were therefore required to assess the impact of prior year unadjusted errors on the current year financial statements, as there was a risk that unadjusted errors from previous years would now be a material issue for our audit report on the 2012/13 financial statements.

We worked closely with the finance team to focus on those unadjusted errors from previous years where a further assessment was required to ensure there was not a material impact on the current year statements. All issues were satisfactorily concluded.

Significant risk 2

Property, Plant and Equipment (fixed assets) accounting records

Audit Reports submitted by predecessor auditors in previous years commented on weaknesses in accounting for fixed assets. This has contributed to material errors in previous years.

Due to the complexity and value of fixed assets, weaknesses in accounting records increase the risk that asset values, additions, disposals, transfers, write backs of impairments and downward revaluations, and componentisation may contain material misstatements.

Property, plant and equipment accounting records still contain significant weaknesses and these have impacted on the 2012/13 audit. See 'Significant qualitative aspects of accounting practices' on page 5 for further details.

Significant risk 3

HRA self financing

The government reformed local authority housing finance by adopting a self-financing model from 1 April 2012. This involved a one-off settlement payment to central government in March 2012. The in year accounting for self-financing commenced in 2012/13 and required changes in accounting practices for HRA depreciation and the allocation of debt charges between housing and general fund services. Due to the complexity and magnitude of the HRA reform there was a risk the financial statements would be materially misstated.

We have worked closely with the finance team throughout the year regarding various aspects of capital accounting and financing. A number of issues regarding the general fund and HRA capital financing requirement and the pooling of debt were identified. All issues were satisfactorily concluded.

Significant risk 4

Assessment of the Group boundary

The finance team undertook an assessment of the group boundary against the criteria stipulated in the accounting standard relevant to the Code of Practice; IAS27. The purpose of the assessment was to conclude which potential group entities fall within the boundary and therefore require consolidating into the Council's Financial Statements.

The assessment concluded that both Norse based companies did fall within the group boundary as associate undertakings. However, neither were material in 2012/13 and therefore group accounts were not required. We concurred with the conclusion drawn from this assessment with regard to 2012/13. The finance team will re-visit the assessment in 2013/14.

Other financial statement risk 1

Preparation of the financial statements

The Council have worked hard in previous years to improve financial reporting arrangements, and this was reported in the 2011/12 Annual Governance Report. However, it was also reported that the 2011/12 accounts presented for audit were not fully supported by adequate working papers and contained a number of material issues that required adjustment. In the absence of further improvements there remained a risk that the 2012/13 financial statements would not be free from material misstatement and compliant with the Code of Practice.

We have worked closely with the finance team throughout the year, consulting and agreeing on a regular basis regarding various aspects of accounting treatment. In addition, we provided the finance team with the outcome of our technical review of the accounts; which focussed on the significant issues relevant to our opinion.

This close working and the diligence of the finance team has resulted in an improvement in the quality of financial reporting in 2012/13.

Other financial statement risk 2

Whole of Government Accounts

The 2011/12 audit report on the Whole of Government Accounts (WGA) was issued after the 5 October deadline. A qualified 'disagreement' report was issued on 30 October 2012. As above, in the absence of further improvements there remained a risk that the WGA consolidation pack contains errors and is not consistent with the audited accounts.

As noted above, our work in this area is still ongoing. However, no issues have arisen to date and we will update the Audit Committee on the final position at the meeting on 24 September 2013.

Other financial statement risk 3

Risk of misstatement due to fraud and error

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

We have designed and implemented appropriate procedures to obtain reasonable assurance as to whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. There were no issues arising from this work.

The Council was 'green' rated in the latest NFI assessment. Good progress has been made on all NFI match reports across all datasets. The Council appear on track to complete NFI reviews/investigations in reasonable time.

Significant qualitative aspects of accounting practices

Property, Plant and Equipment (fixed assets) accounting records

We are pleased to note that many of the issues detailed in the ISA 260 Report issued by the predecessor auditors, the Audit Commission, in 2011/12 have been addressed. However the issues set out in the table below in relation to property, plant and equipment remain unresolved and have caused difficulties during the current year audit.

Policy/practice/finding	EY comments
Fixed asset register	<p>Previous auditors have commented on weaknesses in the spreadsheets used as a fixed asset register. Issues in this area have continued to arise during the current audit.</p> <p>In particular the register does not contain sufficient information to enable verification of the accuracy of the impairment balance available for write back through the comprehensive income and expenditure statement (CIES) without reference to earlier versions of the fixed asset register.</p> <p>Officers should continue to reconcile the amount of impairments and downward revaluations available for write back through the CIES to the difference between the carrying value of assets and the depreciated historical cost of those assets.</p>
Additions to fixed assets	<p>The working papers initially provided for audit lacked sufficient detail to enable us to select a sample of additions for audit testing. Considerable time and effort was required by the finance and audit team to produce such a working paper. Improvements made by the finance team in this area in 2013-14 would lead to audit efficiency.</p>
Depreciation	<p>We noted that depreciation is being calculated on other land and buildings with reference to incorrect useful lives. The useful life of an asset used for depreciation purposes should remain fixed until there is evidence that the useful economic life has changed.</p> <p>The Council's current approach overstates depreciation and therefore affects the size of any revaluation adjustment when assets are subject to a revaluation exercise. If uncorrected over a prolonged period this could lead to material misstatement between the revaluation reserve and the capital adjustment account.</p> <p>Officers should review the useful lives being used in their depreciation calculations in 2013-14; ensuring agreement to the latest information from the Council's external valuers.</p>

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that the 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 areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council 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; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The table below presents the findings of our work in response to the risk area presented to you in our Audit Plan.

Significant risks:	Impacts arrangements for securing:	Key findings:
Level of reserves		
<p>The general fund reserves at 31 March 2012 were £3.8 million. This was close to the prudent level set by Cabinet of £3 million which has since been increased to £4.35 million.</p> <p>In common with other Councils, the continued pressure on Council funding increases the risk that general reserve levels may fall below levels considered prudent, and therefore impact upon the financial resilience of the Council.</p>	<p>Financial resilience</p> <p>Our approach focused on reviewing the medium term financial strategy and specifically the Council's impact assessment on the level of reserves, and future plans to ensure the minimum level of reserves set by Cabinet is achieved.</p>	<ul style="list-style-type: none"> ▶ The Council applies a robust approach to determine minimum levels of reserves, which is updated annually as part of the budget setting process. This risk based approach assesses potential variances in all major sources of income and expenditure, and considers other factors that may impact on operations like regulatory changes. ▶ The General Fund balance as at 31 March 2013 is £1.6 million higher than the minimum set level. ▶ The 2011/13/14 budget setting report and Medium Term Financial Strategy updates budgets and savings targets for the next five years. ▶ Our assessment has concluded that the Council has robust systems and processes to manage financial risks and opportunities effectively; thereby securing a stable financial position.

5. Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal of internal control we are required to communicate to you significant deficiencies in internal control.

Other than as outlined on page 5, our audit did not identify any control issues that we need to bring to your attention.

6. Status of our work

6.1 Financial statement audit

Our audit work in respect of our opinion on the Authority's financial statements is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Letter of representation	To be tabled at the audit committee on 24 September 2013.	Management and Audit Committee
Property Plant and Equipment	Audit work to complete in respect of: <ul style="list-style-type: none"> ▶ Revaluations; ▶ Impairments; and ▶ De-recognition of replaced components 	Management and EY
Revaluation reserve	Movements on the fixed asset register need to be reconciled to movements in the revaluation reserve	Management and EY
Annual Governance Statement	To be reviewed for consistency with our knowledge and understanding	EY

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the Authority's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete and we anticipate issuing an unqualified value for money conclusion.

7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £'000	Scale fee 2012/13 £'000	Actual fee 2011/12 £'000	Explanation of variance
Total Audit Fee – Code work	TBA	105,652	206,087	See below
Certification of claims and returns	*	48,850	100,236	See below

We communicated our planned fee to you within our Audit Plan issued in March this year. As our work is still currently ongoing, and as outlined in our report we had some difficulties in particular in relation to our audit work on Property Plant & Equipment, we will be discussing our final fee levels with senior officers in the near future. We will report back to the Audit Committee in our Annual Audit Letter.

**Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance in January 2014 within the Audit Certification Report for 2012/13.*

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Our audit identified a limited number of errors which we have highlighted to management for amendment. All of these have been adjusted during the course of our work.

There was one material adjustment made to a primary statement, the cashflow statement. Capital grants credited to surplus / deficit on the provision of services was quoted as a debit of £1,048k when it should have been a credit of £1,133k. The error occurred when cash receipts and amounts credited to the CIES were transposed in the cashflow model. The financial statements have been corrected for this error.

We do not consider any of the remaining errors to have a material impact on the primary statements and so we have not provided further details of these amendments.

In addition we highlight the following judgemental difference which was not corrected by management:

	Assets current	Assets non- current	Liabilitie s current	Liabilitie s non- current	Income	Expense s
	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit) Current period	Debit/ (Credit) Current period
Uncorrected misstatements						
Judgemental differences:						
1 Short term debtors	(299,981)					
Short term creditors		299,981				
Unallocated year end c ash receipts have all been recognised within short term creditors as receipts in advance. It is possible that some of these cash receipts relate to the reimbursement of existing short term debtors.						
Balance sheet totals	(299,981)	299,981	-	-	-	-
Income effect of uncorrected misstatements					-	-
Cumulative effect of uncorrected misstatements before turnaround effect					-	-
Turnaround effect. See note 1 below					-	-
Cumulative effect of uncorrected misstatements, after turnaround effect					-	-

Note 1: turnaround effect is the impact of uncorrected misstatements identified in the prior period, on results of the current period.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 19 March 2013. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and 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 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 24 September 2013.

Appendix A Required communications with the Audit Committee

There are certain communications that we must provide to the audit committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit results report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit results report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Enquiries made of the Audit Committee in June 2013, and response received.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report – no significant matters arising
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report – no issues to report

Required communication	Reference
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report – no issues to report
Independence Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and update in section 9 of this report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report – no issues to report
Significant deficiencies in internal controls identified during the audit	Audit results report – no issues to report
Opening Balances <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance of initial audits 	Audit results report – no issues to report
Fee reporting <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	Audit Planning Report and update in section 7 of this report.
Summary of certification work undertaken <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	Annual Certification Report – to be issued January 2014

Appendix B Letter of representation

[To be prepared on the entity's letterhead]

[Date]

Andy Clewer
Partner
Ernst & Young LLP
400 Capability Green,
Luton,
Bedfordshire
LU1 3LU

Dear Andy

**Norwich City Council
Audit of Financial Statements 2012/13
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 2013. 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 2013 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 2012/13.

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 2012/13.
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 2012/13 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. 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 2012/13 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 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
2. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. 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.
5. 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.
6. 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, 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.
4. Claims have been disclosed in Note 25 Provisions. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than those events 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 24 September 2013

Chairman of Audit Committee

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