

Uttlesford District Council

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

21 July 2016

Ernst & Young LLP



Contents

Deliberately left blank for printing purposes

Contents

1. Executive summary	0
2. Responsibilities and purpose of our work	2
3. Financial statements audit	3
4. Value for money	6
Appendix A – Uncorrected audit differences	7
Appendix B – Corrected audit differences	8
Appendix C – Independence	10
Appendix D – Auditor fees	11
Appendix E – Management representation letter	12
Appendix F – Required communications with the Governance and Audit Committee .	18

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)

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 Governance and 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 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Uttlesford District Council for the year ended 2015/16.</p> <p>The following areas of our work programme remain to be completed as of the date of this report:</p> <ul style="list-style-type: none"> • review of the PFI model; • completion of subsequent events review; • completion of manager and director review procedures; • approval of the revised financial statements; and • receipt of the signed management representation letter. <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We have concluded that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the Authority falls below the £350m threshold for review as per the NAO's group instructions.</p> <p>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 subject to clarification from the National Audit Office.</p>
Audit differences	<p>We have identified two misstatements within the draft financial statements, which management has chosen not to adjust. We do not consider these misstatements to be material to our audit opinion.</p> <p>We request that this uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Performance & Audit Committee and provided within the Letter or Representation.</p> <p>Appendix A to this report sets out the uncorrected misstatement.</p> <p>Our audit identified a number of audit differences which our team have highlighted to management for amendment. These primarily relate to disclosure and presentational matters and have been corrected during the course of our work. Further details are provided at Appendix B. These adjustments have not had an impact on useable reserves.</p>

Scope and materiality	<p>In our audit plan, presented at the Performance and Audit Committee meeting on 11 February, we communicated that our audit procedures would be performed using a materiality of £1.035 million.</p> <p>We have reassessed this based on the actual results for the financial year and there has been no change to the materiality level we have applied. The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>The threshold for reporting audit differences which impact the financial statements has also not changed at £52,000.</p> <p>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:</p> <ul style="list-style-type: none">• Remuneration disclosures including any exit packages and termination benefits: 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: Reduced materiality level of £50,000 is applied to testing of disclosures for completeness and accuracy; and• Members allowances: review and test all transactions to supporting evidence and approvals <p>We carried out our work in accordance with our Audit Plan.</p>
Significant audit risks	<p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none">• Risk of fraud in revenue recognition• Risk of management override. <p>Other audit risks:</p> <ul style="list-style-type: none">• Property, plant and equipment valuations; and• Provision for Business Rate Appeals. <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.</p>
Other reporting issues	<p>We have no other matters we wish to report.</p>
Control observations	<p>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.</p>

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Mark Hodgson

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 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 2015/16 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); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and 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.

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.

3. Financial statements audit

Addressing 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.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of management override 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>	<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 evidence of management bias; • Evaluated the business rationale for any significant unusual transactions; and 	<ul style="list-style-type: none"> • We selected a number of journals to review based on our risk assessment. We have agreed these to other areas of our audit work or other supporting evidence. We have no concerns to raise. • Our review of estimates has not identified evidence of management bias. • We have not identified any unusual business transactions.
<p>Risk of fraud in revenue recognition Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. 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. For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of incorrect recognition, and also management override.</p>	<ul style="list-style-type: none"> • Reviewed and tested revenue and expenditure recognition policies; • Developed a testing strategy to test material revenue and expenditure streams including payroll, housing benefits, rents repairs and maintenance accounts payable and accounts receivable; and • Reviewed and tested revenue cut-off at the period end date. • Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised. 	<ul style="list-style-type: none"> • We have tested revenue recognition and cut off as part of income and expenditure testing and have not identified any issues with the classification or recognition of expenditure. • Our testing did identify expenditure which had been inappropriately capitalised. This expenditure did not meet the relevant accounting requirements to be capitalised, and should have been disclosed as revenue (housing repairs). However, the level of misstatement was not material (£0.16 million). See Appendix A for more details. <p>The coding of work between capital and revenue is still an area that needs continued focus and robust review.</p>

We also 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.

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p>Provision for Business Rates Appeals 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 once they had included the need for consideration of future appeals not yet lodged.</p> <p>This methodology needs to be reassessed to ensure that the assumptions made remain appropriate to prepare a reliable estimate.</p>	<ul style="list-style-type: none"> We reviewed the Council's provision for business rate appeals to ensure that it had been calculated on a reasonable basis in line with IAS 37 and that the assumptions underlying the estimate are reasonable and are supported by appropriate evidence. 	<ul style="list-style-type: none"> We have reviewed the methodology and supporting evidence to confirm that the approach the council has taken is robust. In addition we also carried out testing to gain assurance that the list of properties provided for was complete. We have gained sufficient assurance over the reasonableness of the provision.
<p>Property Asset Valuations 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>	<ul style="list-style-type: none"> We have relied on management's experts and reviewed the instructions given to the valuer Reviewed accounting treatments and basis of valuation as required by the Code; and Detailed testing of additions and disposals, journals and accounting entries. 	<ul style="list-style-type: none"> We have gained sufficient assurance over the property, plant and equipment valuations and disclosures. Aside from the issue mentioned above regarding the inappropriate capitalisation of revenue expenditure, we have no other matters to 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 you 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

We have no matters we wish to report.

Control themes and observations

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 tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

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.

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

Request for written representations

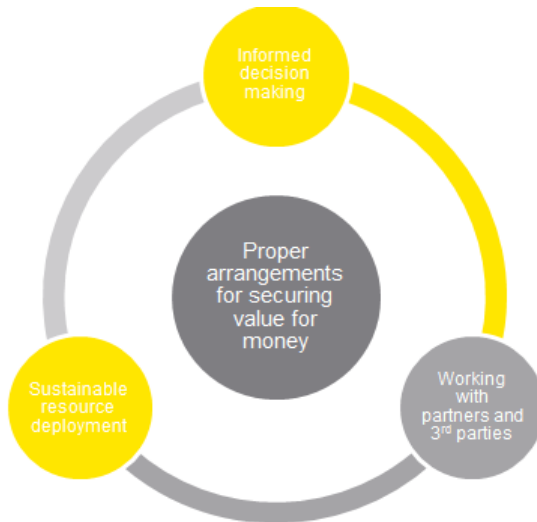
We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any specific representations in addition to the standard representations. Our request for such a letter is outlined in Appendix E.

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.

The Authority falls below the £350 million threshold for a full review, so we have undertaken the limited procedures that are required. We have concluded our work in this area and have no matters to report to the Performance & Audit Committee.

4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on 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 comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

Significant risks

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment did not identify any significant risks which we view as relevant to our value for money conclusion.

Overall conclusion

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

We have therefore concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Appendix A – Uncorrected audit differences

The following differences, which are greater than £53,000, have been identified during the course of our audit and have not been considered material by management or by us for adjustments. We are bringing them to the Committee's attention to enable you to form your own view on these items.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £m	Comprehensive income and expenditure statement (Decrease) / Increase £m
Balance Sheet – Cash and Cash Equivalents	0.058	
Comprehensive Income and Expenditure – increase in Income		0.058
Cash in transit is understated this is due to an historical error. This was raised last year but has yet to be corrected.		
	0.058	0.058
Balance Sheet - Property, Plant and Equipment	(0.160)	
CIES – Housing Revenue Account (Expenditure) – increase in expenditure		(0.160)
A number of items within our sample of PPE additions were not capital expenditure and should have been charged to revenue. We have extrapolated the value of these across the whole additions spend – See Note 1.		
	(0.160)	0.160
Cumulative effect of unadjusted differences	(0.102)	0.102

Note 1 - Projected Error – Sample error is £6,286 and the sample population is £290,630. The percentage error is 0.0216%. Using the ratio projection method the residual population for extrapolation was £7,417,739 giving a projected error of £160,437.

Appendix B – Corrected audit differences

The following corrected differences, which are greater than £53,000 have been identified during the course of our audit and warrant communicating to you.

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

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £m	Comprehensive income and expenditure statement (Decrease) / Increase £m
CIES – Housing Revenue Account Gross Expenditure		(0.546)
CIES – Housing Revenue Account – Gross Income		(0.546)
Amended for £0.546 million that was incorrectly grossed up in both income and expenditure in the HRA line of the CIES. As a result both income and expenditure were overstated, with no overall impact on the financial position. These figures have been adjusted which brings income and expenditure in the CIES in line with the HRA.		
		0
Cumulative effect of unadjusted differences		0

Cash Flow statement

Item of cash flow	Operating cash flows (Decrease) / Increase £m	Investing cash flows (Decrease) / Increase £m	Financing cash flows (Decrease) / Increase £m
Operating cash flows	(5.8)		
Investing cash flows		0.8	
Financing cash flows			5.0
We have made a number of amendments to this statement the key ones being:			
<ul style="list-style-type: none"> • adjustment between Operating, Investing and Financing activities. This was the result of increasing rather than reducing Debtors and Creditors balances for the Collection Fund agency debtors and creditors • inclusion of the actuarial gain on the Pension Reserve, but this is not a cash item. 			
	(5.8)	0.8	5.0
Cumulative effect of unadjusted differences	(5.8)	0.8	5.0

Disclosures

Disclosure	Description of difference
Note 5.1 – Total Operating Expenditure Note 5.3 – Total Taxation and Non Specific Grant	Both Notes 5.1 and 5.3 are understated by £0.143 million. There is no overall impact on the CIES.
Note 5.5 - Segmental Reporting	The two CIES amendments (above) also impact on the segmental accounting Note 5.5
Note 21.6 – Balance sheet value of HRA assets	The vacant possession value of dwellings within the HRA has been understated by the 8% year end revaluation. The true value is £723.761 million and economic cost of providing council housing should be £438.654 million. This is a disclosure note and does not impact on the primary statements.

Appendix C – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 11 February 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 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 Performance and Audit Committee on 28 July 2016.

We confirm that we have met the reporting requirements to the Performance and 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 was set out in our Audit Plan of 11 February 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 £'s	Scale Fee 2015/16 £'s	Variation comments
Total Audit Fee - Code work (Note 1)	52,916	52,916	
Certification of claims and returns - work not yet completed (Note 2)	22,808	22,808	
Non-audit work - Housing pooled capital receipts (Note 3)	1,000	-	Non-audit work is not include within the scale fee.

** Our certification of the Housing Benefit claim will be completed to the 30 November 2016 deadline, and the final fee concluded at that time.*



Note 1 - Our actual audit fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

Note 2 - Certification of claims and returns. We have not commenced our work in this area. We will report the results of our work and the final fee with you in our Annual Certification Report.

Note 3 – The Council has requested us to perform an agreed upon procedures review of the Housing Pooled Capital receipts. This work does not fall within the remit of the Audit Code. We have not commenced our work in this area. We will report the results of our work and the final fee with you in our Annual Certification Report.

We confirm we are planning to undertake non-audit work outside of the PSAA's requirements. This is for the certification of the Councils Pooled housing capital receipts return to DCLG, as set out above.

Appendix E – Management representation letter

 EY Building a better working world	Ernst & Young LLP One Cambridge Business Park/Fair: +44 1223 394401 Cambridge CB4 0WZ Tel: +44 1223 394400 Fax: +44 1223 394401 ey.com	 INTEGRITY IN PEOPLE
--	--	--

Adrian Webb Director of Finance and Corporate Services Uttlesford District Council Council Offices, London Road, Saffron Walden, Essex, CB11 4ER	21 July 2016 Ref: Your ref: Direct line: 01223 394547 Email: MHodgson@uk.ey.com
--	--

Dear Adrian,

**Uttlesford District Council – 2015/16 financial year
Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Civic Affairs, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of Uttlesford District Council ("the Council") for the year ended 31 March 2016. That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Uttlesford District Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is 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 we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).
2. That you acknowledge your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. You have approved the financial statements.
3. You 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. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Council, 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 2015/16, that are free from material misstatement, whether due to fraud or error
6. You believe that the effects of any unadjusted audit differences, summarised in Appendix 1, if relevant, accumulated by us 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. Please specify the reasons for not correcting these misstatements.

B. Fraud

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud



2. You have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. That you have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council internal controls over financial reporting. In addition, you 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. You 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. You have disclosed to us all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. You have provided us 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 we have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. That you have made available to us all minutes of the meetings of the Council and its relevant 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: 28 July 2018.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which you 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. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.



6. That you have disclosed to us, 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 us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that you have given to third parties.

F. Subsequent Events

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

H. Segmental reporting

1. That you have reviewed the operating segments reported internally to the Council and that you are satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:



- The nature of the products and services
- The nature of the production processes
- The type or class of customer for their products and services
- The methods used to distribute their products

I. Going Concern

1. That you have made us aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

J. Retirement Benefits

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

K. Use of management experts

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you 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 that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

L. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (28 July 2016) on formal headed paper.

Yours sincerely

Mark Hodgson
Executive Director
Ernst & Young LLP
United Kingdom



Appendix 1 – Uncorrected Errors

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £m	Comprehensive income and expenditure statement (Decrease) / Increase £m
Balance Sheet – Cash and Cash Equivalents	0.058	
Comprehensive Income and Expenditure		0.058
Cash in transit is understated this is due to an historical error. This was raised last year but has yet to be corrected.		
	0.058	0.058
Balance Sheet - Property, Plant and Equipment	(0.160)	
CIES – Housing Revenue Account (Expenditure)		0.160
A number of items within our sample of PPE additions were not capital expenditure and should have been charged to revenue. We have extrapolated the value of these across the whole additions spend – See Note 1.		
	(0.160)	0.160
Cumulative effect of unadjusted differences	(0.102)	0.218

Appendix F – Required communications with the Governance and Audit Committee

There are certain communications that we must provide to the Governance and Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <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 	Audit Results Report
<p>Going concern 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"> ▶ 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 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Uttlesford District Council's ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <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
<p>Fraud</p> <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 	We have made enquiries of management and the Performance & Audit Committee. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <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 	We have no matters we wish to report regarding related parties.

Required communication	Reference
<p>External confirmations</p> <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 	We have received all requested confirmations, other than where outlined in Appendix A.
<p>Consideration of laws and regulations</p> <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 	We have not identified any material instances of non-compliance with laws and regulations.
<p>Independence</p> <p>Communication of all significant facts and matters that bear 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"> ▶ 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 Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p> <ul style="list-style-type: none"> ▶ 	Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan</p> <p>Audit Results Report</p> <p>Annual Audit Letter if considered necessary</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Certification Report

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com