



## Public Document Pack

# Uttlesford District Council

Chief Executive: Dawn French

## SUPPLEMENTARY PACK

### Governance, Audit and Performance Committee

**Date:** Thursday, 26th July, 2018

**Time:** 7.30 pm

**Venue:** Committee Room - Council Offices, London Road, Saffron Walden,  
Essex CB11 4ER

**Chairman:** Councillor E Oliver

**Members:** Councillors G Barker, J Davey, J Gordon, N Hargreaves, S Harris,  
D Jones (Vice-Chair), G LeCount, B Light and G Sell

### ITEMS WITH SUPPLEMENTARY INFORMATION PART 1

**Open to Public and Press**

**3 Audit Results Report 2017-18**

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To receive the Audit Results report for 2017-18.



# Uttlesford District Council

Chief Executive: Dawn French

**For information about this meeting please contact Democratic Services**

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# Uttlesford District Council Audit results report

Year ended 31 March 2018

18 July 2018

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. Above the 'Y' is a yellow triangle pointing to the right. The logo is positioned in the bottom right corner of the page, partially overlapping the EY logo and the agenda item text.

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Agenda Item 3



Governance, Audit & Performance Committee  
Uttlesford District Council

18 July 2018

Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Governance, Audit & Performance Committee . This report summarises our preliminary audit conclusion in relation to the audit of Uttlesford District Council for 2017/18. We will issue our final report after the Uttlesford District Council meeting scheduled for 26 July 2018.

We have substantially completed our audit of the Uttlesford District Council for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Governance, Audit & Performance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Governance, Audit & Performance Committee meeting 26 July 2018.

Yours faithfully

*MARK HODGSON*

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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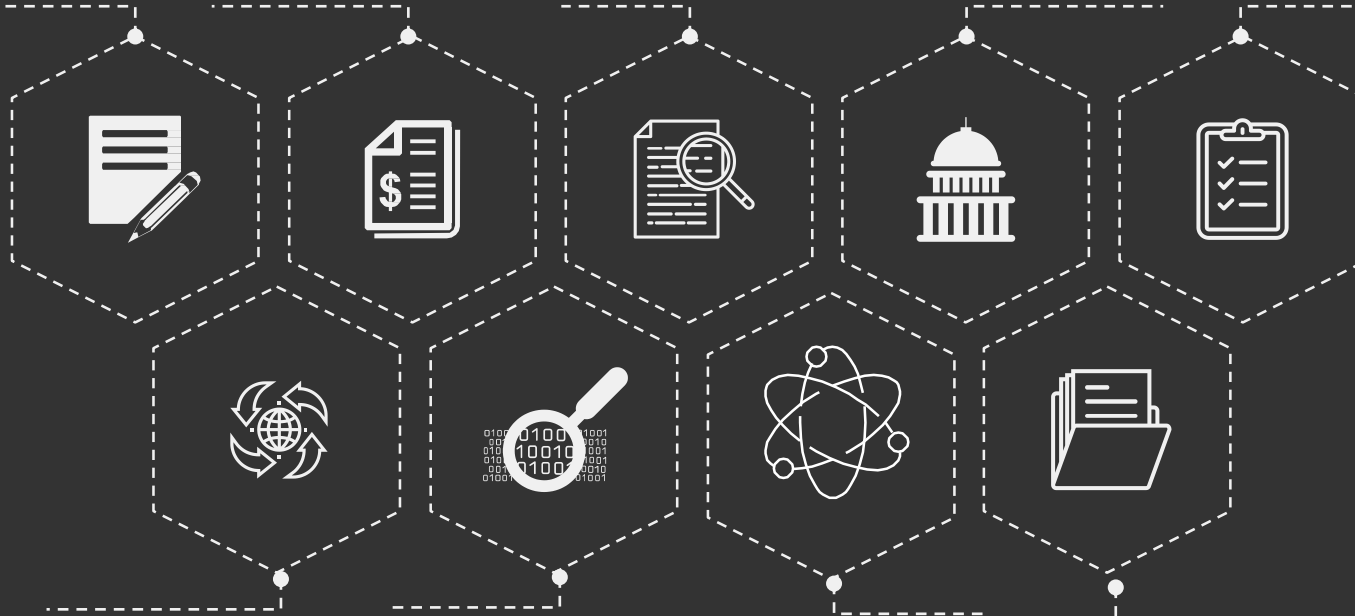
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Governance, Audit & Performance Committee and management of the Uttlesford District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance, Audit & Performance Committee, and management of the Uttlesford District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance, Audit & Performance Committee and management of the Uttlesford District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Executive Summary

# Executive Summary

## Scope update

In our audit planning report presented at the 8 February 2018 Governance, Audit & Performance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

In our Audit Plan, we communicated that our audit procedures would be performed using a materiality of £0.949 million. We reassessed this using the actual year-end figures, which have increased this amount to £1.046 million. The threshold for reporting audit differences has increased from £47,000 to £52,000 million. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Related Party Transactions - The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality;
- Officer Remuneration - Remuneration disclosures - reduced materiality level of £5,000 applied in line with bandings disclosed.

Page

## Status of the audit

We have substantially completed our audit of the Uttlesford District Council financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3.

However until work is complete, further amendments may arise. The outstanding work at the date of this report is:

- Receipt of audit assurances from the Group component auditor (for Aspire) and the audit procedures related to the group consolidation and disclosures;
- review of the final version of the financial statements;
- completion of subsequent events review;
- receipt of the signed management representation letter; and
- Final Manager and Engagement Partner reviews.

We expect to issue the audit certificate at the same time as the audit opinion.

# Executive Summary

## Audit differences

### Unadjusted differences

There is one unadjusted audit differences arising from our audit. This relates to the depreciation charge calculation in relation to Council dwellings. We believe it to be understated by £0.224 million. Management have chosen not to adjust the financial statements for this amount. Full details are provided in Section 4.

We ask you as 'those charged with governance' to either concur with management and provide your rationale for the non-adjustment, or requesting management to adjust the item before you formally approve the financial statements.

### Adjusted

We identified two material audit differences in our work, which have been adjusted by Management within the revised financial statements.

One of these was a classification error within the Balance Sheet of £23.5 million, where short-term borrowing was incorrectly classified as short-term creditor.

The second related to the Authority's share of Pension Fund Assets. Updated information became available during our audit, which led to an increase in the Authority's share of Pension Fund assets by £1.26 million. There were a number of other pension fund disclosures impacted by this amendment. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements.

We also identified a limited number of audit disclosure differences in the draft financial statements, which have also been adjusted by management.

Further details are provided in Section 4.

## Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the Uttlesford District Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Governance, Audit & Performance Committee.





# Executive Summary

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we did not identify any significant risks.

As a result of our assessment, we are satisfied that the Authority's General Fund reserve balance at the 31 March 2021 will remain above the Authority's approved minimum level. We are satisfied that the Authority has adequate arrangements in place in regard to financial resilience over the medium term

We report by exception, where we have concerns about your arrangements to secure economy efficiency and effectiveness in your use of resources.

We have no such matters to report.

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

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 £500 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

## Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



## 02 Areas of Audit Focus



## Areas of Audit Focus

# Significant risk

### Risk of management override of control

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

#### What judgements are we focused on?

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

We are also required to identify specific additional risks of management override. The specific additional risk identified is with regards to manipulation of accounting estimates with the estimates most likely to be subject to management override of controls being non-routine income and expenditure accruals and provisions and specifically the Non Domestic Rates (NDR) appeals Provision.

#### What did we do?

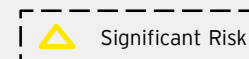
We performed mandatory procedures, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Reviewing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions; and
- Reviewing managements specialist, Analyse Local, who provide information to support the NDR appeals provision, testing the assumptions applied in the provision for reasonableness and ensuring it has been prepared in accordance with IAS37.

#### What are our conclusions?

Our testing has not identified any material misstatements from management override.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.





## Areas of Audit Focus

# Significant risk

### Risk of fraud in revenue and expenditure recognition

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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.

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.

#### What judgements are we focused on?

We are focussed on management judgements in relation to incorrectly capitalising revenue expenditure on Property, Plant and Equipment. This should ordinarily be classified as repairs and maintenance expenditure within the Comprehensive Income & Expenditure Statement.

#### What did we do?

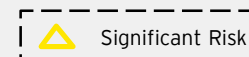
Our approach will focus on:

- ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- ▶ Perform substantive testing over material revenue and expenditure streams;
- ▶ Review and test revenue cut-off at the period end date;
- ▶ Test the appropriateness of journals entries moving expenditure items from revenue codes to Capital codes; and
- ▶ Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

#### What are our conclusions?

Our testing has not identified any material misstatements in the specific areas we tested as set out in 'what did we do'.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.





# Areas of Audit Focus

## Other areas of audit focus - Valuation of Land and Buildings

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Valuation of Land and Buildings</b></p> <p>Property, Plant and Equipment represents a material balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet. This is carried out by an expert valuer and is based on a number of complex assumptions.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>▶ Considered the reliance placed on management's valuation experts and undertook a review of the District Valuer's work. This included comparison to industry valuation trends and reliance on our own valuation experts;</li> <li>▶ Considered the annual cycle of valuations to ensure that assets had been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there were any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>▶ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated by using market indices to assess movements from last revaluation dates;</li> <li>▶ Tested the accounting treatment of valuations made in the year, including the assessment and treatment of impairments.</li> </ul>	<ul style="list-style-type: none"> <li>▶ We did not identify any material misstatements from the work undertaken.</li> <li>▶ The work performed by the valuer was based on reasonable assumptions that we were able to corroborate through our sample testing.</li> <li>▶ Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.</li> <li>▶ Our audit work did not identify any issues with the accounting treatment for valuations.</li> </ul>



# Areas of Audit Focus

## Other areas of audit focus - Pension Fund Liability

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Pension Liability Valuation</b></p> <p>The Local Authority Accounting Code of Practice (the code) and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▶ Liaised with the auditors of Essex Pension Fund, and obtain assurances over the information supplied to the actuary in relation to the Uttlesford District Council;</li> <li>▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and</li> <li>▶ Reviewed and tested the accounting entries and disclosures made within the Uttlesford District Council's financial statements in relation to IAS19.</li> </ul>	<p>We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required with no issues identified.</p> <p>Our audit procedures highlighted a difference between the estimated Fund Asset valuation at the 31 March 2018 and the actual valuation of £111 million. The Authority's share of this difference is £1.26 million. The Pension Fund Actuary has subsequently provided an updated IAS19 report, which incorporated this updated information, and Authority has used this latest report to correctly amend the revised financial statements.</p> <p>We have not identified any other issues with the accounting entries and disclosures made within the financial statements.</p>



# 03 Audit Report



# Audit Report

## Our proposed opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UTTLESFORD DISTRICT COUNCIL

#### Opinion

We have audited the financial statements of Uttlesford District Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014.

The financial statements comprise the Authority and Group Movement in Reserves Statement, Authority and Group Comprehensive Income and Expenditure Statement, Authority and Group Balance Sheet, Authority and Group Cash Flow Statement, the related notes A1 to A11 and 1.0 to 19.6, the Housing Revenue Account Income and Expenditure Statement and the related notes 20.0 to 21.9 and the Collection Fund and the related notes 22.0 to 22.7.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Uttlesford District Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:  
the Director of Finance and Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the Director of Finance and Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.





# Audit Report - continued

## Our proposed opinion on the financial statements

### Other information

The other information comprises the information included in the Narrative Report on pages i to xv, other than the financial statements and our auditor's report thereon. The Director of Finance and Corporate Services is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Uttlesford District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



# Audit Report - continued

## Our proposed opinion on the financial statements

### Responsibility of the Director of Finance and Corporate Services

As explained more fully in the Director of Finance and Corporate Services Responsibilities set out on pages xvi, the Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance and Corporate Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Uttlesford District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Uttlesford District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Uttlesford District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



# Audit Report - continued

## Our proposed opinion on the financial statements

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Certificate

We certify that we have completed the audit of the accounts of Uttlesford District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Uttlesford District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



# 04 Audit Differences





# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “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.

## Summary of adjusted differences

We have included all known amounts greater than £0.785 million relating to Uttlesford District Council in our summary of misstatements. We highlight the following misstatements in the financial statements identified during the audit. These have been corrected by management:

### 1. Balance sheet - Reclassification between short-term Creditors and short-term Borrowing

The Authority hold a number of year end borrowing balances. One of these had been misclassified as a short-term creditor within the draft financial statements. The adjustment does not impact the reported Balance Sheet position.

### Pension Adjustments

The Authority is an admitted body within the Essex Pension Fund. The Authority is reliant upon the Pension Fund’s Actuary to provide it with the relevant information in relation to the Authority’s share of assets and liabilities of the Pension Fund (through an IAS19 report) for inclusion within its financial statements.

The Actuary, within its IAS19 report (dated 19 April 2018) estimated the Pension Fund asset value as at the 31 March 2018 and the Authority used the estimated figure within its draft financial statements. Our audit procedures focus on securing appropriate assurances from the Essex Pension Fund auditor. These procedures, identified that the actual asset valuation at the 31 March 2018 was £111 million greater than the Actuary’s estimate. The Authority’s share of this increase is £1.26 million.

Given that the difference is greater than our materiality level (£1.046 million) we asked the Authority to liaise with the Pension Fund Actuary given the impact on the Authority’s financial statements. The Pension Fund Actuary has, in light of the significance of the identified difference in asset valuations at an admitted body level, updated the IAS 19 report that it provided to the Authority, taking into account the actual year end asset valuations. The Actuary also updated the IAS 19 report in relation to the impact of the asset valuation change on other figures reported by the Authority. The Authority has adjusted the revised financial statements using the revised figures from the updated IAS 19 report. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements.

### 3. Disclosure Adjustments




We have also identified a limited number of other minor text and disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you.



# Audit Differences

## Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Governance, Performance and Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2018 (£000) 	 Effect on the current period:	 Balance Sheet (Decrease)/Increase			
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors					
Known differences:					
<b>Council Dwelling Depreciation</b> The Authority have used Major Repairs Reserve expenditure as a proxy for calculating depreciation on Council dwellings. This was the correct approach in prior years. However, DCLG has amended the regulations (Item 8 Determination in 2017/18) in respect of the 2017/18 accounting period. Under the revised regulations, depreciation of Council dwellings (within the Housing Revenue Account) is to be calculated using normal accounting principles, i.e. by using useful economic lives. Whilst depreciation is an accounting estimate, the Authority has based its estimate on the incorrect basis. If the Authority used the correct basis, then the depreciation charge for 2017/18 would increase by £0.224 million.					
<ul style="list-style-type: none"> <li>Balance Sheet - Property, Plant &amp; Equipment (Council Dwellings)</li> </ul>			224,199		
<ul style="list-style-type: none"> <li>CIES - Depreciation expense</li> </ul>	(224,199)				
<b>Balance sheet totals</b>			224,199		
<b>Income effect of uncorrected misstatements</b>	(224,199)				
<b>Cumulative effect of uncorrected misstatements</b>	(224,199)		224,199		

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# Value for Money Risks





## Background

We are required to consider whether the Authority 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.

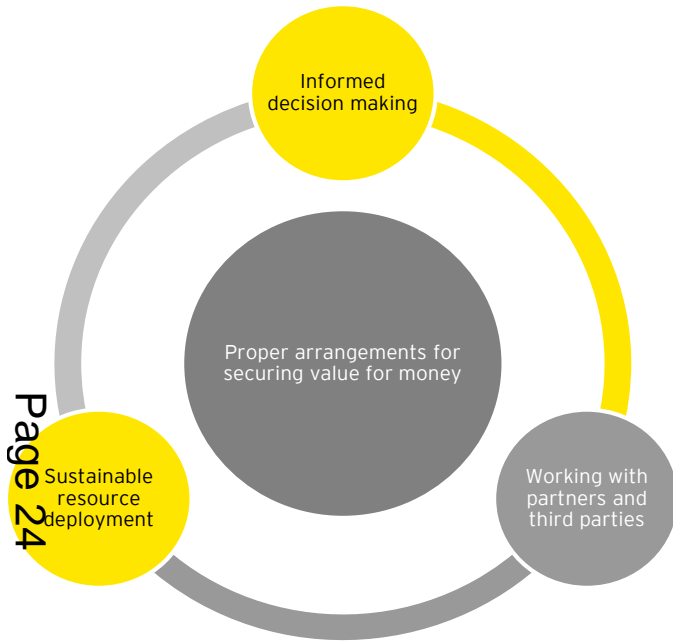
For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

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.



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## Financial Resilience and Assessment of the Authority's Reserve Position

As part of our assessment of your proper arrangements, we considered the Authority's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2018 and at the 31 March 2021.

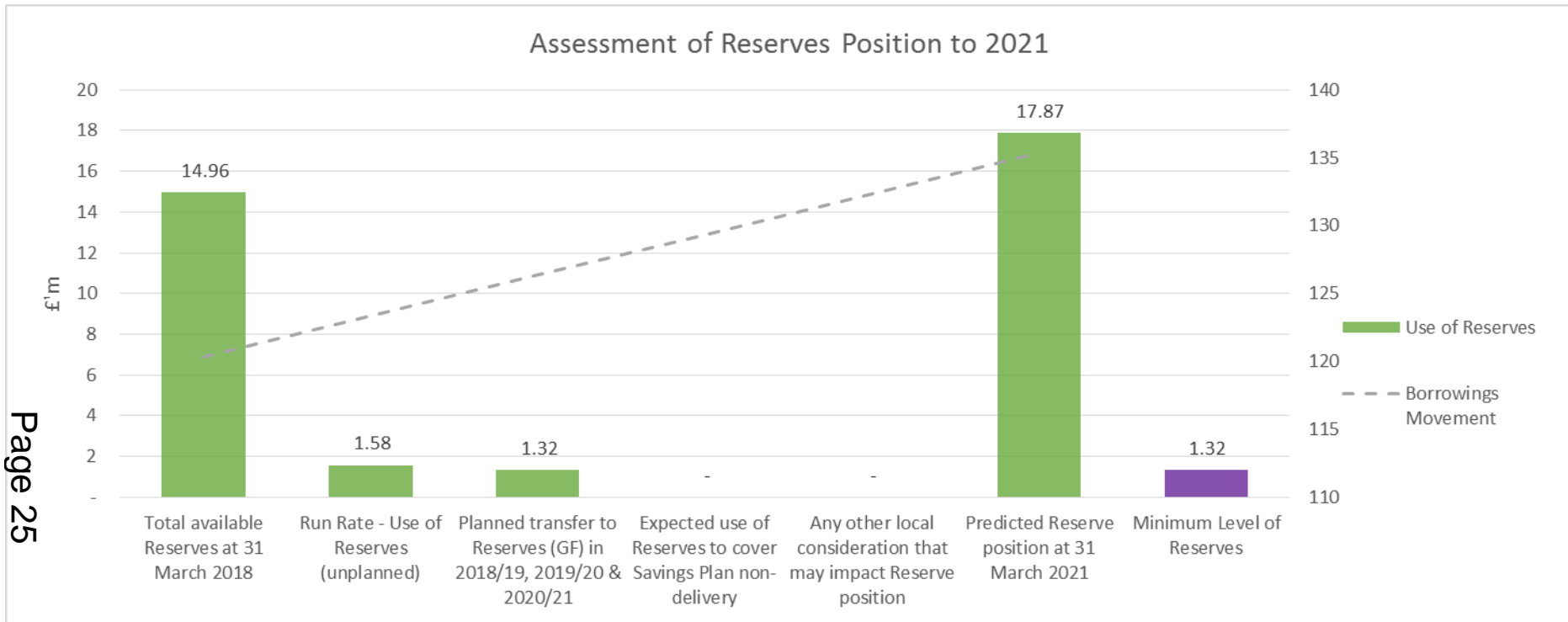
Our assessment of this is set out on the next page.

## Overall conclusion

We did not identify any significant risks around these criteria. We are satisfied that the Authority has adequate arrangements in place in regard to financial resilience over the medium term (as set out on the following page).

We therefore expect to have 'no matters to report' about your arrangements to secure economy, efficiency and effectiveness in your use of resources.





## Our Assessment

In our assessment we considered:

- The Authority's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The Authority's planned use of reserves to support the General Fund budget in each of the next 3 years;
- the Authority's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- the Authority's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- any other unusual future transactions or reliance upon the commercialisation agenda to derive future income streams, upon which the MTFS is reliant.

We have also looked at the Authority's planned use of borrowing over the same time frame to inform our assessment.

As a result of our assessment, we are satisfied that the Authority's General Fund reserve balance at the 31 March 2021 will remain above the Authority's approved minimum level.



# 06 Other reporting issues



## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement. We identified that the wording from the Head of Internal Audit Opinion had not been disclosed completely. Management have updated the Annual Governance Statement for this. We can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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### 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, is specified by the National Audit Office.

As the Authority falls below the £500 million threshold for review as per the NAO's group instructions, we are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.



07

# Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Uttlesford District 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 Uttlesford District Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in 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.



08

Independence

## Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 08 February 2018.

We complied with the FRC Ethical Standards and the requirements of the Public Sector Audit Appointment's (PSAA) 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 consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Governance, Audit & Performance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Governance, Audit & Performance Committee on 26 July 2018.

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



# Independence



## Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed have been provided on a contingent fee basis. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA / National Audit Office Code requirements.

	Final Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s
Total Audit Fee - Code work	52,916 - Note 1	52,916	52,916
Other non-audit services not covered above (Housing Benefits)	22,808	22,808	19,427
<b>Total Fees</b>	<b>75,724</b>	<b>75,724</b>	<b>72,343</b>

### Note 1 - Audit Fee - 2017/18 Code work

The final fee does not include any additional audit costs associated with the additional work to be performed around the group accounting of the new investment in the subsidiary, Aspire. We need to conclude all of our audit procedures before finalising the quantum of the additional fee but we expect it to be in the £3,000 - £4,000.

This additional fee will be discussed with management and is then subject to approval by the PSAA Ltd.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.







# 09 Appendices

## Appendix C

# Required communications with the Governance, Audit & Performance Committee

There are certain communications that we must provide to the Governance, Audit & Performance Committee. We have detailed these here together with a reference of when and where they were covered:

			 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>	
Terms of engagement	Confirmation by the Governance, Audit & Performance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.		The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.		Audit Plan - 8 February 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.		Audit Plan - 8 February 2018
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>		Audit Results Report - 26 July 2018

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about the Uttlesford District Council ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - 26 July 2018
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Governance, Audit &amp; Performance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Governance, Audit & Performance Committee - 26 July 2018
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Governance, Audit &amp; Performance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Governance, Audit &amp; Performance Committee responsibility.</li> </ul>	Audit Results Report - 26 July 2018

## Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Council's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Council</li> </ul>	Audit Results Report - 26 July 2018
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 8 February 2018</p> <p>Audit Results Report - 26 July 2018</p>

# Appendix C

## Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report - 26 July 2018 We have no matters to report.
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ Enquiry of the Governance, Audit &amp; Performance into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance, Audit &amp; Performance may be aware of</li> </ul>	Audit Results Report - 26 July 2018
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - 26 July 2018
Group audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	Audit Plan - 8 February 2018  Audit Results Report - 26 July 2018

# Appendix C

## Our Reporting to you

Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 26 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 26 July 2018
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 26 July 2018
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - 8 February 2018 Audit Results Report - 26 July 2018
Certification work	Summary of certification work undertaken	Annual Certification report - Due December 2018



# Appendix E - Request for a Management representation letter

## Request for a Management Representation Letter



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INVESTOR IN PEOPLE

Adrian Webb  
Director of Finance and Corporate Services  
Uttlesford District Council  
Council Offices,  
London Road,  
Saffron Walden,  
Essex,  
CB11 4ER

27 June 2018

Ref:  
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Adrian,

### Uttlesford District Council – 2017/18 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 Audit Committee, 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 2018.

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 2018 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 2017/18.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC330501 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 Broad London Place, London EC2N 2AF, the firm's principal place of business and registered office.



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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, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the council's financial statements. We believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the council 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 2017/18, that are free from material misstatement, whether due to fraud or error.
6. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, 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.





# Appendix E - Request for a Management representation letter

## Request for a Management Representation Letter

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### B. Non-compliance with law and regulations, including fraud

1. That you acknowledge that you are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That 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.
4. That you have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. 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: 26 July 2018.



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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.

### D. 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.

### E. Subsequent Events

1. That other than described in Note 19.1 to the Council's financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.


### F. 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.



# Appendix E - Request for a Management representation letter

## Request for a Management Representation Letter

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Building a better working world

- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

- You confirm that the financial statements reflect the operating segments reported internally to the Council.

H. Going Concern

- 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.

I. Ownership of Assets


- That except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).

J. Reserves

- You have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

K. Valuation of Property, Plant and Equipment Assets

- 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.
- You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
- You confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.

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Building a better working world

- You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
- You confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

- 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. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

M. Other information

- You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2017/2018.
- You confirm that the content contained within the other information is consistent with the financial statements.

N. Group audits

- That there are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
- That the necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.
- You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

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 (currently 26 July 2018) on formal headed paper.

Yours sincerely

Mark Hodgson  
Associate Partner  
Ernst & Young LLP  
United Kingdom

## EY | Assurance | Tax | Transactions | Advisory

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ED None

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