

Epping Forest District Council

Annual Governance Report

2011/12

September 2012

DRAFT

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Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any member or officer in their individual capacity or to any third party.

We accept no responsibility for any reliance that might be placed on reports and letters for any purpose by third parties, to whom it should not be shown without our prior written consent.

[Code of Audit Practice](#)

[Statement of Responsibilities](#)

1 Executive summary

- 1.1 The purpose of this report is to communicate to you the significant findings from the audit of Epping Forest District Council's financial statements and arrangements to secure economy, efficiency and effectiveness in the use of resources. A summary is set out below:

Area of audit	Findings and conclusion
Financial statements	
Financial statements	<p>No material misstatements were identified as a result of our audit work.</p> <p>Some uncorrected non-trivial but not material errors have been identified and these are detailed in Appendix B.</p> <p>Some areas of work are still outstanding at the time of drafting this report. Should these result in any significant issues, we will give an oral update to the Audit and Governance Committee.</p> <p>Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ending 31 March 2012.</p> <p>The detailed findings from our work are set out in section 3.</p>
Annual Governance Statement	We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we are aware of from our audit of the financial statements.
Whole of government accounts	Our work to review the consistency of the whole of government accounts return with the audited financial statements is in progress and an oral update will be given at the Audit and Governance Committee on 24 September.
Internal controls	One significant deficiency was identified in relation to checks being undertaken on Housing and Council Tax Benefit claims. This was reported to the Audit and Governance Committee in our letter dated 2 August 2012 and a recommendation has been made in Appendix A of this report.
Use of resources	
Value for money conclusion	<p>We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.</p> <p>The detailed findings from our work are set out in section 4.</p> <p>We anticipate issuing an unqualified value for money conclusion.</p>

Acknowledgement

- 1.2 We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

2 Introduction

- 2.1 International Standards on Auditing (ISAs) (UK and Ireland) and the Code of Audit Practice require that we report to those responsible for financial governance and reporting (those charged with governance) the key findings of our audit prior to issuing our opinion on the financial statements and our value for money conclusion. This report summarises the results of our audit work completed to date in respect of the financial statements and arrangements to secure economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2012.
- 2.2 Our report is presented to the Audit Committee in accordance with the provisions of ISA (UK & Ireland) 260 *Communication with those charged with governance*, ISA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance* and Management, and the Audit Commission's *Code of Audit Practice*.
- 2.3 The contents of this report have been discussed and agreed with the Director of Finance and ICT.

Findings

- 2.4 Recommendations in response to the key findings identified by our audit of the financial statements and use of resources work are provided in the action plan at Appendix A. We have also included in Appendix A recommendations in respect of significant control deficiencies reported separately to you in our Letter dated 2 August 2012. These recommendations have been discussed with appropriate officers and their responses are included. Additionally we have reported orally to management other non-significant findings from our audit.
- 2.5 We would highlight that in this report we do not provide a comprehensive statement of all weaknesses that may exist in the financial and operational systems, but only those matters which have come to our attention as a result of the audit procedures performed. We have only restated weaknesses already reported by Internal Audit where we consider these to be significant.

Independence

- 2.6 We confirm that we are not aware of any relationships that may bear on our independence and objectivity as auditors and that our independence declaration, included in the Audit Plan for 2011/12, has remained valid throughout the period of the audit.

3 Financial statements

- 3.1 We are required to provide an opinion on whether your financial statements give a true and fair view of your financial position and income and expenditure and whether they have been prepared properly, in accordance with appropriate legislation and relevant accounting guidance. To do this we carry out risk based procedures designed to obtain sufficient appropriate audit evidence to determine with reasonable confidence whether the financial statements are free from material misstatement and evaluate the overall presentation.
- 3.2 In carrying out our work we determine and apply a level of materiality. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole, or individual elements of the financial statements as appropriate. Consequently, the audit cannot be relied upon to identify *all* risks or potential and actual misstatements.
- 3.3 We consider misstatements of less than £33,000 to be trivial to the financial statements, unless the misstatement is indicative of fraud, and have not reported them. This is unchanged from the triviality level that was reported in our Audit Plan.

Reporting to those charged with governance

- 3.4 We have set out below those matters relevant to our audit that, under auditing standards, require reporting to those charged with governance or which we believe should be reported to you to assist you with your governance duties.

Significant risks of material misstatement

- 3.5 We reported our risk assessment in the 2011/12 Audit Plan issued in January 2012. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the Council's draft financial statements, and we reported our updated risk assessment to you in our Letter dated 2 August 2012.
- 3.6 Our audit approach was designed to address these significant risks and any relevant issues arising have been set out in the remainder of this report.

Accounting practices

Financial statements preparation

- 3.7 The requirement for Members to approve the draft financial statements by 30 June was removed by the Accounts and Audit Regulations 2011, however these regulations introduced the requirement for the Responsible Financial Officer to sign and present the financial statements for audit by 30 June. The financial statements were signed and presented for audit on 29 June 2012.
- 3.8 As part of our planning for the audit, we prepared a detailed document request which outlined the information that we would require to complete the audit. The Council provided us with electronic files of the majority of the requested working papers, with the exception of those relating to the Collection Fund, on 9 July 2012, in line with the agreed timetable.

Accounting policies

- 3.9 The following changes have been introduced by the *2011 Code of Practice on Local Authority Accounting in the United Kingdom* (the 'Code'), resulting in changes in accounting practice:
- The adoption of FRS30 *Heritage Assets*, requiring that heritage assets are carried at valuation, with comprehensive disclosure note requirements
 - Amendments to the related party disclosures required in respect of central government departments, government agencies, NHS bodies and other local authorities to clarify the nature of those related party relationships and simplify the information disclosed.
 - New disclosure requirements for exit packages to disclose the number and cost of exit packages agreed in the year
 - The introduction of disclosure requirements in relation to the nature and amount of trust funds (a previous Statement of Recommended Practice requirement that has been reinstated).
- 3.10 The Council has dealt with the implementation of these changes in an appropriate manner and assisted the audit in the review of the changes required.

Accounting estimates

Estimation of Useful Economic Lives of HRA properties

- 3.11 Upon receipt of the draft financial statements we identified an unexpected difference between the figure for depreciation in the financial statements and the figure we were expecting from our analytical review work. This was reported as a significant audit risk in our updated risk assessment in our Letter dated 2 August 2012.
- 3.12 During the audit the reasons for the unexpected variance were investigated and were found to be due to a change in the useful economic lives of Housing Revenue Account (HRA) properties.
- 3.13 The Council had previously calculated their remaining useful economic lives on a sample basis because there was not a detailed list of the Council's repairs and renewals programme on a component by component basis (a component being an individual part of a property with a different useful life to the whole property). During the year, a detailed breakdown was produced and the Council therefore used this analysis to determine a more accurate average remaining useful economic life for each component, which was used to calculate depreciation.
- 3.14 The Council's new methodology is reasonable and, overall, it provides an enhanced, refined set of data upon which to base its estimation of depreciation. However, sample testing of the data that supports the depreciation charge still needs to be completed.
- 3.15 Furthermore, this represents a change in accounting estimate and the financial statements have been amended to disclose the impact of this change on the depreciation charge to the reader. Also, the Council has changed its replacement cycle as at 1 April 2012 because the move to self-financing of the HRA has given the Council more financial freedom to maintain properties to a higher standard and replace components on a more frequent basis. This will result in a significant decrease in the average remaining useful economic lives next year, which will significantly increase the annual depreciation charge, and the Council has made a disclosure to this effect within their financial statements.

Disclosures

- 3.16 We identified a number of departures from the expected presentation of the financial statements or where notes and other disclosures had not been presented in accordance with the Code. We have agreed that these matters will be amended in the financial statements, none of which impact on the reported financial outturn in the Consolidated Income and Expenditure Statement, and include:
- The vacant possession value disclosed in Note 3 to the HRA did not reflect the disposals and adjustments made during 2011/12 and, therefore, required updating to show the correct figure as at 31 March 2012.
 - The revaluations note (Note 12) incorrectly disclosed the revalued amount for Council Dwellings and Garages within the 31 March 2011 line in this note. The financial statements should be updated to include this revaluation within the 31 March 2012 line.
 - The formulas used in the Council's calculations of the total future minimum payments within the leases note (Note 36) were incorrect. The financial statements should therefore be updated to reflect the correct values.
 - Responsibility for concessionary fares transferred to Essex County Council during 2011/12. The income and expenditure in relation to this should be shown as a separate line from Highways and Transport for both the current and prior year so that the reader of the financial statements can better understand the consistent year on year costs.
 - Four related parties were identified from our testing where the transactions that the Council had with them in the year had not been disclosed in the financial statements (Note 34).
 - £106,811 had been included within accruals in the creditors note (Note 21), however testing identified that these related to amounts where cheques had been written back and therefore did not relate to accrued amounts, but should have been classified as Sundry Creditors.
 - The financial instruments note (Note 17) had not been prepared in accordance with the Code and included amounts such as deferred income, where there is not a right to receive cash, and therefore does not meet the definition of a financial instrument.

Uncorrected misstatements

- 3.17 We are required to report to you uncorrected misstatements that relate to the current financial year (including those arising in previous periods that have an effect on the current year financial statements) and the effect that they have individually, or in aggregate, on the financial statements, except for those that are clearly trivial. These are set out below and their potential impact is summarised at Appendix B:
- **New Homes Bonus:** The Council received a payment of grant for the new homes bonus of £58,000 in March 2012 that was described as 'The new homes bonus scheme grant determination 2012-13'. The Council did not account for this as income in the year. However, the Code requires that where a grant is received, and there are no conditions attached to the grant, the amount should be recognised as income immediately.
 - **Revaluation of Housing Stock:** The value of one property had been removed from the valuation provided by the Valuer because the Council believed that it was incorrectly included in the valuation when it had previously been disposed. However, our testing identified that it had not been included in the valuation and therefore this property had been incorrectly removed, resulting in an £85,000 understatement of the Council's housing stock in the Balance Sheet.

- **Bad Debt Provision:** The Council incorrectly included write offs processed during the year within the calculation of the year end provision, resulting in an overstatement of the bad debt provision of £58,000 and an understatement of the debtors balance by the same amount within the Balance Sheet.
- **Rental Income:** Our income testing identified approximately £35,000 in relation to rental income that was raised after the year end, but related to 2011/12 and therefore should have been included within the financial statements.
- **HRA income:** Our testing identified that income of £104,844 was not being recognised as income in the HRA Income and Expenditure Statement but was instead being netted down within the Repairs and Maintenance expenditure line. Income and expenditure should be accounted for gross and are, therefore, both understated.

3.18 We have requested that these misstatements be corrected and seek written representation from those charged with governance that they acknowledge these misstatements and that they are satisfied with management's reasoning for not correcting the financial statements.

3.19 The draft letter of representation is set out in Appendix C.

Misstatements corrected by management

3.20 In addition to the matters raised in paragraph 3.16 and 3.17 we identified the following notable departures from the technical guidance in the Code of Practice. The Council have agreed to amend the financial statements for these departures, which include:

- Deferred revenue income
- Collection Fund distribution of the deficit brought forward.

Deferred revenue income

3.21 The Council had entered into a number of agreements over the years with developers under which the developer has paid a one-off lump sum to the Council (described as a "commuted sum") and in return the Council has agreed to maintain (cut grass etc.) certain common land in developments. £498,000 had been included within long term liabilities in the current year as deferred revenue income in respect of these lump sums received.

3.22 There are no conditions attached to this money received by the Council and, therefore, in accordance with the Code, the amount should be recognised immediately as income. Although the amount is not material the Council has chosen to restate their financial statements back to 1 April 2010 and have set up an earmarked reserve to release the income to the general fund over time.

Collection Fund distribution of the deficit brought forward

3.23 The Council have been incorrectly including only the Council's share of the collection fund deficit within the Collection Fund Income and Expenditure Account. In accordance with the Code, the Council should have been recording the full deficit arising on the Collection Fund as a whole and have, therefore, been understating the deficit and the Collection Fund Adjustment Account. The prior year amount has been restated by £530,000 to show a total deficit of £615,000 and the current year has been restated by £620,000 to show a deficit of £720,000.

Other matters

3.24 We are required to communicate 'audit matters of governance interest that arise from the audit of the financial statements' to you which includes:

- Significant deficiencies in internal control identified during the audit

- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc.)
 - Other audit matters of governance interest.
- 3.25 We reported one significant deficiency in internal control within the Housing and Council Tax Benefits system, and the impact of this deficiency, to you in our Letter dated 2 August 2012.
- 3.26 The work on the Whole of Government Accounts Return is still on-going and an oral update will be provided at the Audit and Governance Committee.
- 3.27 There are no others matters which we wish to draw to your attention and we can confirm that we are satisfied that the draft Annual Governance Statement is not inconsistent with the evidence provided in the review of effectiveness and our knowledge of the Council

Written representations

- 3.28 We are required by ISAs to obtain written confirmation from you of certain representations that have been made during the course of our audit. The draft letter of representation has been attached as Appendix C.
- 3.29 We do not anticipate any changes being required before providing our opinion on the financial statements.

Audit report

- 3.30 Subject to satisfactory resolution of the following outstanding issues and final clearance of the audit, we anticipate issuing an unqualified audit opinion on the financial statements:
- Clearance of review points
 - Completion of sample testing of the data that supports the depreciation calculation
 - Completion of testing on the Whole of Government Accounts
- 3.31 We will provide an oral update on these outstanding issues at the Audit and Governance Committee.

4 Use of resources

- 4.1 We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).
- 4.2 In accordance with our Audit Plan, our principal work in arriving at our value for money conclusion was comparing the Council's performance against characteristics specified by the Audit Commission in its guidance to auditors. The focus of our work in 2011/12 involved reviewing the financial resilience of the organisation and its arrangements for securing economy, efficiency and effectiveness in the use of resources.

Financial resilience

- 4.3 Our financial resilience work has considered the Council's arrangements for financial governance, financial planning and financial control, including improvements in arrangements over the prior year.
- 4.4 As well as achieving savings of £1.74m the Council increased its General Fund Balance by £631,000 which was £562,000 above its forecast outturn position. Earmarked general fund reserves were also increased by £325,000. The Housing Revenue Account realised an overall decrease in its balance of £1.39m which is £400,000 worse than the Council's revised budget estimate. This was largely due to £650,000 being appropriated to the Insurance Fund in recognition of the potential liabilities faced by the Council relating to asbestos claims. Despite this decrease the Housing Revenue Account reserve remains at £4.5m, which is considered reasonable.
- 4.5 During the year, the Council borrowed £185.5m to finance the payment to the Department of Communities and Local Government to release the Council from the Housing Revenue Account subsidy arrangement, in line with recent reforms. The borrowing is supported by a 30 year Business Plan to demonstrate the affordability of the debt.
- 4.6 The Council has a good track record of achieving its budgets and successful financial management arrangements putting it in a relatively strong position, compared to similar councils, of having built up good levels of funds and reserves to support it in its response to the continued financial pressures faced. From review of current documentation, the Council is on track to deliver its 2012/13 budget and although its medium term financial plan forecasts that it will be necessary to utilise reserves during 2013-2017 it is estimated that reserves at the end of this period will still be in the region of £7.7m. This is more than twice the minimum level of reserves necessary to comply with its own financial management policies.

Challenging economy, efficiency and effectiveness

- 4.1 The Council has continued to review and consolidate its baseline arrangements for challenging and securing value for money during 2011/12. The arrangements operated during the year remain adequate. Business Plans continue to outline annual VFM considerations and implications for each service and include benchmarking comparisons where appropriate. Performance management and risk management arrangements that support the achievement of value for money are evidenced as continuing to operate as previously assessed with no contra-indicators.

- 4.2 The implementation of the VFM Strategy action plan and the Data Quality Strategy action plan has been monitored and the VFM Strategy has been formally reviewed for continued relevance. Some of the previously implemented proactive VFM actions have remained on hold but there have been specific targeted pieces of work that demonstrate a continued awareness of the need to seek value for money improvements. These include completion of specific externally contracted consultancy reviews with a VFM aspect that were funded by Improvement East's Efficiency Challenge monies. The result of these studies will be used to target specific areas for more detailed challenge where necessary and include:
- Review of the Grounds Maintenance service and contract
 - A revenue income optimisation study
 - An organisational structure review.
- 4.3 The Council has completed a review of its position compared to its nearest neighbours, using the Audit Commission Value for Money Profile Tool. The analysed results of this review were reported to the Finance and Performance Management Cabinet Committee in June 2012 and decisions on which areas require further in-depth review will be made by the Finance and Performance Scrutiny Panel in September 2012. We expect that any in-depth studies completed in 2012/13 to challenge value for money will be driven by the outcomes from the various internal and external reviews undertaken in the pursuit of improved value for money outcomes.
- 4.4 During 2011/12 a number of efficiency savings have been achieved through partnership working arrangements, including joint procurement.

Audit report (value for money conclusion)

- 4.5 Our value for money conclusion is based on considering our overall risk assessment, focusing on the two criteria set by the Audit Commission as well as consideration of the processes underpinning your review of the effectiveness of your controls as described in your Annual Governance Statement.
- 4.6 We anticipate issuing an unqualified value for money conclusion for the year ended 31 March 2012.

Appendix A: Action Plan

Conclusions from work	Recommendations	Management responses	Responsibility	Timing
Financial statements				
<p>The Council has not implemented its property management system in the financial year which has meant that an asset by asset split of the 2011/12 valuations could not be provided in respect of housing stock.</p> <p>This could lead to the Council not accounting for their revaluations correctly going forward.</p>	<p>1. Implement a property management system that can record the housing stock on an asset by asset basis so that the revaluation reserve can be maintained in line with the requirements of the Code and is correctly calculated on a component by component basis.</p>			
<p>In line with previous Code requirements the Council currently revalue their assets as at 1 April. Assets then need to be critically reviewed as at 31 March to ensure their carrying values are materially accurate at the Balance Sheet date. The Code requirement to value assets as at 1 April has been removed from the 2011/12 Code and consequently we consider that performing the revaluation of the Council's assets as at 31 March each year would improve the accuracy of their stated values.</p>	<p>2. Instruct the Valuer to undertake revaluations as at 31 March.</p>			
<p>Three unsigned employment contracts, from a sample of ten, were identified as part of our testing.</p> <p>There is a risk that contracts are not enforceable if signed copies are not retained.</p>	<p>3. Human Resources should obtain and retain signed employment contracts for all new starters.</p>			

Conclusions from work	Recommendations	Management responses	Responsibility	Timing
<p>Four members declared related parties on their declaration form but the Council did not identify that there were transactions with these parties during the year and therefore did not disclose the transactions with these parties in the financial statements.</p> <p>There is a risk that related parties are not identified.</p>	<p>4. Review all declaration forms and, for any related parties disclosed, interrogate the general ledger to determine whether there are related party transactions to disclose.</p>			
Internal controls				
<p>Two of the three senior benefits staff did not perform 100% checks on new benefit claim assessments and 5% daily checks on a random sample of other claims throughout the year, as documented as a control over accuracy of payments within the Council's system notes for benefits.</p>	<p>5. Remind the senior benefit staff of the on-going requirement for them to perform the 100% checks on new benefit claim assessments and 5% daily checks on a random sample of other claims.</p>			

Appendix B: Uncorrected misstatements

The table below details the potential differences recorded during the audit that have not been adjusted for within the financial statements:

Uncorrected misstatements	Income Over/ (Under) £'000	Expenses (Over)/ Under £'000	Assets (Over)/ Under £'000	Liabilities Over/ (Under) £'000	Reserves Over/ (Under) £'000
Factual misstatements					
Being a grant for £58,000 in relation to the New Homes Bonus that was received in advance in March 2012, with no conditions in place. This should therefore be recognised as income in 2011/12.	(58)		58		
Being the understatement of the valuation of the council dwellings and land due to a property being removed incorrectly.	(85)		85		
Being the overstatement of the bad debt provision due to write offs being incorrectly included.	(58)		58		
Being the understatement of income due to four invoices in relation to rental income not been accrued for during 2011/12.	(35)		35		
Being the understatement of both income and expenditure due to netting off of income against the repairs and maintenance expenditure.	(105)	105			
Judgemental misstatements					
None.					
Projected misstatements (extrapolation of errors)					
Being the projected misstatement arising from incorrect treatment of accruals.		(44)		44	
Total net misstatements	(341)	61	236	44	
- Net understatement of income	(280)				
- Net understatement of net assets			280		

Appendix C: Draft letter of representation

Representations for the preparation of the Statement of Accounts (as set out below), which includes the financial statements, will be sought from the Director of Finance and ICT (as the Responsible Financial Officer) and from Members on behalf of the Council in relation to its responsibility to approve the Statement of Accounts and the Annual Governance Statement.

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

26 September 2012

Dear Sirs

Financial statements of Epping Forest District Council for the year ended 31 March 2012

This representation letter is provided in connection with your audit of the financial statements of Epping Forest District Council for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with the relevant financial reporting framework and have been prepared in accordance with the requirements of applicable law.

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of directors and management of the Council, the following representations given to you in connection with your audit of the Council's financial statements:

FINANCIAL STATEMENTS

Responsibility for the financial statements

I acknowledge as the Director of Finance and ICT and s151 Officer my responsibilities for the Statement of Accounts, which include the financial statements, and for ensuring that these are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Accounting policies

I confirm that the selection and application of the accounting policies used in the preparation of the financial statements are appropriate.

Significant assumptions

The following significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable and appropriate:

Pension fund assumptions

I confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) scheme liabilities, as applied by the scheme actuary, are reasonable and consistent with my knowledge of the business. These assumptions include:

- | | |
|--|-------|
| • Rate of inflation (RPI) | 3.3% |
| • Rate of inflation (CPI) | 2.5% |
| • Rate of increase in salaries | 4.3% |
| • Rate of increase in pensions | 2.5% |
| • Rate for discounting scheme liabilities | 4.6% |
| • Take up option to convert the annual pension into retirement grant | 50.0% |

I also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities.

Fair value measurements and disclosures

I confirm that the valuation at which land and buildings are carried in the financial statements is a reasonable approximation of their fair values, on the bases required by the Code of Audit Practice.

Valuation of housing stock

The useful economic lives of the housing stock and its constituent components, used in the valuation of the housing stock and the calculation of the depreciation charge for the year are consistent with those advised to me by the expert valuer appointed by the Council to provide this information.

Plans or intentions

I confirm that the Council has no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims, the effects of which should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the applicable financial reporting framework.

Related parties

I confirm that related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the applicable financial reporting framework.

Subsequent events

All events occurring subsequent to the date of the financial statements for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

Uncorrected misstatements

I believe that the uncorrected misstatements identified during the audit are immaterial both individually and in aggregate to the view given by the financial statements as a whole. A list of these items is attached as an appendix to this letter.

Going concern

I confirm that we are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this conclusion I have taken into account all relevant matters of which I am aware and have considered a future period of at least one year from the date on which the financial statements will be approved.

Comparative information

We confirm that, in respect of the restatement to implement the Heritage Assets accounting policy changes the adjustments relate to a change in accounting policy as we believe that the new accounting policy is more appropriate, and accordingly to ensure the consistency of accounting treatment between periods it is necessary to restate the current and corresponding periods on the basis of the new policy.

INFORMATION PROVIDED

Completeness of information

All the accounting records have been made available to you for the purpose of your audit. I have provided you with all other information requested and given unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence. All other records and related information, including minutes of all management and Committee meetings held during the year and up to the date of this letter have been made available to you.

All transactions undertaken by the Council have been recorded in the accounting records and are reflected in the financial statements.

There is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

Internal control

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have communicated to you all significant deficiencies in internal control of which I am aware.

Fraud

I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

I am not aware of any fraud or suspected fraud affecting the financial statements, nor have any allegations of fraud or suspected fraud affecting the financial statements been communicated to me by employees, former employees, councillors, regulators or others.

Compliance with law and regulations

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations, whose effects should be considered when preparing the financial statements.

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.

Related parties

I confirm that I have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which I am aware.

Liabilities, contingent liabilities or guarantees

There are no liabilities, contingent liabilities or guarantees to third parties other than those disclosed in the financial statements.

Title to assets

The Council has satisfactory title to all assets and there are no liens or encumbrances on the assets except for those disclosed in the financial statements.

Yours faithfully

Robert Palmer

Director of Finance and ICT

Representations of the Council

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officers and members of the Council, the following representations given to you in connection with your audit of the Council's financial statements.

Responsibility for the financial statements

We acknowledge our responsibilities to make arrangements for the proper administration of the Council's financial affairs and to approve the Statement of Accounts, which include the financial statements. The Director of Finance and ICT is responsible for the preparation of the Statement of Accounts, which include the financial statements, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

Uncorrected misstatements

We have considered the uncorrected misstatements in the financial statements as listed in Appendix 1 to this letter together with the explanations provided by the Director of Finance and ICT for not correcting these misstatements, and we consider them to be immaterial to the view given by the financial statements.

Annual Governance Statement

We confirm that the Council has conducted a review during the year of the effectiveness of its system of internal control. We are satisfied that the Annual Governance Statement appropriately reflects the circumstances of the Council and includes an outline of the actions taken, or proposed, to deal with significant internal control issues.

Yours faithfully

Councillor A Watts
Audit and Governance Committee Chair

Signed on behalf of the Council

Note: Appendix 1 referred to in this letter relates to Appendix B in this report