

Our reference CEN/HA019/05-6/LoR

1 August 2006

Bob Palmer
Head of Finance
Epping Forest District Council
Civic Offices
High Street
Epping
Essex
CM16 4BZ

Dear Bob

2005/06 Financial Statements audit - 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). We have interpreted this guidance as it affects Councils and we expect the following points to apply:

- auditors do not seek representations on matters which duplicate those in the standard responsibility statement on the Statement of Accounts;
- 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 or near to 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 who, in order to be able to sign, will need to consult with the legal officer or monitoring officer as appropriate; the letter may include the wording "having made appropriate enquiries of other officials of the authority"; and

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- the letter is formally acknowledged by the Committee who are 'charged with governance'

I would expect the letter of representation to include the following:

- that there are no significant contingent liabilities other than those disclosed in the notes to the accounts;
- that there is no significant pending litigation, proceedings or claims other than those disclosed in the notes to the accounts;
- that there are no instances of non-compliance with laws or regulations which would require adjustment to or disclosure in the accounts;
- that no significant post balance sheet events have occurred which would require adjustment to or disclosure in the accounts;
- that there are no other material transactions with related parties other than those which have been properly recorded and disclosed;
- that there are no known significant instances of irregularities, including fraud, other than those already disclosed to the auditors;
- that the Council has carried out a formal review of its accounting policies as per FRS 18 and made appropriate changes;
- that a review of the appropriateness of the figures provided by Essex County Council in relation to FRS17 has been undertaken;
- that a formal review of the effectiveness of the System of Internal Control has been carried out which has enabled the Council to make the necessary disclosures in line with guidance issued by CIPFA;
- that proper consideration of the need to prepare Group Accounts has been undertaken; and
- that a formal review of the appropriateness of the Bad Debt provision has been undertaken.

The above matters are examples only. There may be other matters which you would wish to include in the management letter of representation.

I should be grateful if you could, after discussion with other appropriate officers, provide a management letter of representation for Epping Forest District Council at the appropriate time.

Yours sincerely

Louise Wishart
Audit Manager