

AUDIT COMMITTEE

24 September 2015

AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2015

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

AUD117: Corporate Governance Report and Annual Governance Statement
2014/15, 22 June 2015

AUD121: External Audit Plan 2014/15, 22 June 2015

AUD125: Annual Financial Report 2014/15, 22 June 2015

EXECUTIVE SUMMARY:

Ernst & Young (EY), the Council's external auditors, have now presented the Audit Results Report for the Year Ended 31 March 2015 (appended) which summarises the findings from the audit of the Financial Statements for 2014/15 and the results of the External Auditor's work on the Council's arrangements to secure value for money in use of resources. At the time of writing this report the audit work is substantially complete.

Subject to the clearance of outstanding matters, and the provision of a Letter of Representation, the External Auditor plans to issue an unqualified audit opinion on the financial statements and expects to conclude that the Council has made appropriate arrangements to secure economy, efficiency and effectiveness in the use of resources.

Representatives of Ernst & Young will attend the meeting to present their proposals and provide any points of clarification.

RECOMMENDATIONS:

That the Audit Committee:

1. Considers the matters presented in the Auditor's Report (Appendix A) and takes the opportunity to raise any points of clarification or concerns with EY, who will be present at the meeting, and;
2. Approves the Letter of Representation (Appendix B).

OTHER CONSIDERATIONS:

1. COMMUNITY STRATEGY and PORTFOLIO PLANS (RELEVANCE TO):

- 1.1. The external audit of the Annual Financial Report is fundamental to the requirement for accountability for public finances. Achieving corporate priorities must go in hand with accounting for how the public's money has been spent.

2. RESOURCE IMPLICATIONS:

- 2.1. The external audit fees are shown at page 18 of Appendix A and are in line with the proposed fees at this point in time; £75,115 Audit and £11,311 for the certification of claims and returns, although this is subject to the outstanding work being completed within budget. Attention is also drawn to the meetings held with Management, Internal Audit and the Independent Reviewer to assess progress with their reviews. This may impact on the final fees. An update will be provided to the Audit Committee at the meeting.

3. BACKGROUND DOCUMENTS:

None

APPENDICES

Appendix A: Audit Results Report for the year ended 31 March 2015

Appendix B: Letter of Management Representation (draft for approval)

Winchester City Council

Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

September 2015



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Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/15 audit to date. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- ▶ As at 15 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit results to date demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements well. We will update the Committee at its meeting on 24 September 2015.

Value for money

- ▶ As at 15 September, we expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources. We have concluded that your medium term financial planning is robust. The Council is responding to Internal Audit's contract management arrangements reports from 2013/14 and has improved its controls. Internal Audit have still to conclude their review of the River Park Leisure Centre contract arrangements. We expect their report to be available to us before the date of the Audit Committee. The independent review following the Silver Hill judicial review judgement is not yet complete. We will take any findings from this review into account in arriving at our 2015/16 value for money conclusion.

Whole of Government Accounts

- ▶ Work on the whole of government accounts return is progressing. We do not expect to report any significant matters to the National Audit Office (NAO) regarding the whole of government accounts submission.

Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Section 2

Extent and purpose of our work

Extent and purpose of our work

The Council's responsibilities

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

Purpose of our work

- ▶ Our audit was designed to:
 - ▶ express an opinion on the 2014/15 financial statements and the consistency of other information published with them;
 - ▶ report on an exception basis on the Annual Governance Statement;
 - ▶ consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion); and
 - ▶ discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

As a component auditor, we also follow the NAO group instructions and report the results on completion of the whole of government accounts work through the Assurance Statement to the NAO and to the Council.

This report is intended solely for the information and use of the Council. It is not intended to be, and should not be, used by anyone other than the specified party.

Section 3

Addressing audit risks

Addressing audit risks – significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
<p>Significant audit risks (including fraud risks)</p> <p>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.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach focuses on:</p> <ul style="list-style-type: none"> ▶ 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; and ▶ evaluating the business rationale for significant unusual transactions. 	<p>Our work to date has not identified any evidence of fraud or management bias, or any significant unusual transactions.</p> <p>This work is, however, still in progress and will be completed by the Audit Committee in September.</p>

Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- ▶ Our work programme is still in progress. We will update the Audit Committee meeting on 24 September 2015 by which time our work should be substantially completed. The audit procedures that we need to complete include receipt of:
 - ▶ a Letter of Representation; and
 - ▶ responses from the Council's external valuation experts, Jones Lang LaSalle (JLL), to our enquiries.
- ▶ Subject to the satisfactory resolution of our work programme, we anticipate that we will issue an unqualified audit report on the financial statements.

Uncorrected misstatements

- ▶ To date, we have not identified any misstatements within the draft financial statements which management has chosen not to adjust.

Corrected misstatements

- ▶ To date the misstatements identified have been typographical in nature or minor numerical and disclosure misstatements that do not warrant us bringing them to your attention. These have been corrected during the course of the audit. We will update the Committee at its meeting on 24 September 2015.

Other matters

- ▶ As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:
 - ▶ qualitative aspects of your accounting practices; estimates and disclosures;
 - ▶ matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
 - ▶ any significant difficulties encountered during the audit; and
 - ▶ other audit matters of governance interest.
- ▶ During the audit we noted that the Council had not received related party disclosure forms from two councillors. These forms are an important aspect of the Council's governance arrangements and support its transparency agenda. In future members should ensure that they comply with this annual disclosure requirement by sending the completed returns to the Chief Finance Officer's team.
- ▶ We have no other matters we wish to report at the time of preparing this report and will update the Audit Committee, if necessary, at its meeting on 24 September 2015.

Financial statements audit – application of materiality

Our application of materiality

- ▶ When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
Planning Materiality and Tolerable error	<p>We determined planning materiality to be £1.791 million (2014 £1.749 million), which is 2% of gross expenditure.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>We set a tolerable error for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion.</p> <p>We have set tolerable error at the upper level of the available range because there were no prior year adjustments related to fraud and no material uncorrected errors in the prior period.</p>
Reporting Threshold	<p>We agreed with the Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £87,470 in our Audit Plan for 2014/15 . We have increased this level marginally on assessing the draft financial statements to £89,600 (2014: £87,470).</p>

We also identified related party transactions as an area where misstatement at a level lower than our overall materiality level might influence the reader. Therefore we have substantively tested the disclosure of related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- ▶ It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- ▶ We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- ▶ We have reviewed the Annual Governance Statement to assess whether:
 - ▶ it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
 - ▶ it is consistent with other information that we are aware of from our audit of the financial statements.
- ▶ 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.

Request for written representations

- ▶ We plan to request a standard management representation letter to gain management's confirmation in relation to a number of matters.
- ▶ At the time of preparing this report we do not anticipate the need to request any additional representations. We will update the Audit Committee at its meeting on 24 September 2015.

Whole of Government Accounts

- ▶ Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- ▶ Work on the whole of government accounts return is progressing. We are currently carrying out our work in this area and will report any matters that arise to the Audit Committee.

Section 5

Arrangements to secure economy, efficiency and effectiveness

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Winchester City Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 – arrangements for securing financial resilience

- ▶ 'Whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'
- ▶ In our audit plan we did not identify any risks in relation to this criteria. However, financial pressures in the public sector continue to mount. As a result of these significant pressures there is increased focus on the financial resilience of Local Government. Winchester City Council has a good track record of managing its finances and our previous reviews have highlighted no concerns in this area. However, because of these significant pressures we decided that we should highlight this area as a significant risk, explain the work we have undertaken and report our current conclusions to you.
 - ▶ As a result we have included 'Medium Term Financial Planning' as a further significant risk in this report.
- ▶ Our work and conclusions are set out in the next slide.

Criteria 2 – arrangements for securing economy, efficiency and effectiveness

- ▶ 'Whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'
- ▶ In our audit plan we identified two significant risks in relation to this criteria:
 - ▶ Response to the Silver Hill Judicial review
 - ▶ Contract management arrangements.
- ▶ We have set out our conclusions on these issues in the next few slides.

- ▶ Our work did not identify any other matters relating to aspects of your corporate performance and financial management framework which are not covered by the scope of the two specified criteria above.

Addressing audit risks – significant VFM risks

We identified the following VFM risks during the planning phase of our audit, and reported these to you in our Audit Plan. We also identified a further significant risk as part of our continuous audit planning. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the value for money conclusion is the risk that the auditor may issue the wrong value for money conclusion. Where auditors identify a significant value for money conclusion risk they will need to undertake additional audit work to enable them to reach an appropriate conclusion.

Significant VFM risk– financial resilience - Medium Term Financial Planning

Risk identified	Procedures undertaken	Basis for conclusion
<p>➤ Financial pressures in the public sector continue to mount. As a result of these significant pressures there is increased focus on the financial resilience of Local Government. Winchester City Council has a good track record of managing its finances and our previous reviews have highlighted no concerns in this area. However, because of these significant pressures we decided that we should highlight this area as a significant risk, explain the work we have undertaken and report our current conclusions to you.</p>	<p>Our approach focussed on:</p> <ul style="list-style-type: none"> ▶ Reviewing achievement against the 2014/15 budget ▶ Reviewing the reasonableness of the assumptions made in the 2015/16 budget and MTFS to 2019/20 	<p>The Council's general fund cost of services was £2.7m lower than planned in 2014/15. This enabled the Council to transfer £3.6m to general fund reserves.</p> <p>The Medium Term Financial Strategy (MTFS) contains details of the main challenges affecting the Council's finances over the next few years and indicates how the Council will respond to these. It provides the overall framework for the financial investment in services from 2015/16 to 2019/20.</p> <p>The MTFS appears robust. It is based on reasonable assumptions including future levels of government grant income, inflation and the revenue impact of capital schemes. The budget for 2015/16 was balanced without the need for additional savings and after predicted transfers to reserves amounting to £1.4m . However, the MTFS identifies a cumulative deficit before transfers to reserves amounting to £1.15m in the period to 2017/18 that will require savings to be made. Officers have recognised that the Council's revenue budget is dependent on the continued receipt of New Homes Bonus and have prepared a report for Members explaining the options should this source of funding be reduced or withdrawn. Plans to address the £0.05m deficit in 2016/17 (before transfers to reserves) by making savings are to be identified prior to the conclusion of the budget setting process in early 2016.</p> <p>Total General Fund earmarked reserves have almost doubled over the last two years. At the end of 2014/15 the Council held £2m in General Fund reserves and £16.5m in earmarked General Fund reserves. This level of balances gives the Council the time to crystallise the savings required over the next few years.</p>

Addressing audit risks – significant VFM risks cont.

Significant VFM risk– Response to the Silver Hill judicial review

Risk identified	Procedures undertaken	Basis for conclusion
<ul style="list-style-type: none"> ➤ The Council’s decision not to carry out a procurement exercise under EU Directive 2004/18/EEC and the Public Contracts Regulations 2006, having varied the terms of the Silver Hill Development Agreement, has been held to be unlawful following a Judicial review that was concluded in February 2015. ➤ The planned development of the Silver Hill area has been delayed while the future of the development agreement is determined. ➤ The judgement raises a risk for our value for money conclusion about whether the Council has proper arrangements for ensuring the legality of its expenditure on major contracts. The Council has commissioned an independent review into the decisions taken concerning the Silver Hill development. 	<p>We have focussed on:</p> <ul style="list-style-type: none"> ▶ whether any expenditure incurred by the Council on the Silver Hill scheme in 2014/15 would be ‘unlawful’ as a consequence of the judicial review. ▶ Considering the outcome from the independent review into the decisions taken by the Council, focussing on the advice requested and received by the Council; whether that advice was received from suitably qualified experts; and whether the advice provided to the Council was accurately and completely reported to members when they made their decision to accept amendments to the contract without re-tendering in 2014/15. 	<p>We have reviewed the expenditure and income received by the Council in relation to the Silver Hill development during 2014/15. Our review has not identified any amounts that appear to be ‘unlawful’.</p> <p>The independent review is still in progress and will not be completed or reported to the Council before 30 September 2015. There are, as yet, no matters we need to take into account in arriving at our value for money conclusion. We will take into account any findings from this review in arriving at our value for money conclusion for 2015/16.</p>

Addressing audit risks – significant VFM risks

Significant VFM risk– Contract management arrangements

Risk identified	Procedures undertaken	Basis for conclusion
<p>The robustness of the Council's contract management arrangements has been challenged:</p> <ul style="list-style-type: none"> ➤ by Internal Audit who concluded they could only provide 'limited assurance' following their reviews of 'Environmental Services contract' and 'Contract management' in 2013/14; ➤ by members of the public in meetings of the Overview and Scrutiny Committee, and through correspondence with Internal and External Audit in relation to the River Park Leisure Centre contract; and ➤ by the Silver Hill judicial review judgement. <p>These challenges raise a risk for our value for money conclusion about whether the Council has proper arrangements for managing contracts.</p>	<p>We have focussed on the:</p> <ul style="list-style-type: none"> ▶ findings from Internal Audit's follow up reviews; ▶ results of Internal Audit's review of the leisure centre contract management arrangements; and ▶ results of the independent review following the Silver Hill judgement. 	<p>Internal Audit have issued an 'adequate' opinion in respect of the 'Joint Environmental Services contract arrangements' in August 2015. Managers have also confirmed that all of the actions previously raised by Internal Audit in relation to their review of 'contracts management arrangements' have been implemented. There is therefore no further work that we need to complete to support the value for money conclusion.</p> <p>Internal Audit have still to conclude their review in respect of the River Park Leisure Centre contract management arrangements. We expect their report to be available to us before the date of the Audit Committee. We will consider the findings from their review and whether there are any implications for our value for money conclusion.</p> <p>The independent review is still in progress and will not be completed or reported to the Council before 30 September 2015. There are, as yet, no matters we need to take into account in arriving at our value for money conclusion. We will take into account any findings from this review in arriving at our value for money conclusion for 2015/16.</p>

Section 6

Independence and audit fees

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 10 June 2015.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 24 September 2015.

- ▶ We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 10 June 2015.

Audit fees

- ▶ The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/15	Scale fee 2014/15	Variation comments
	£	£	
Audit Fee: Code work*	75,115	75,115	0
Certification of claims and returns	11,311	11,311	0
Non-Audit work	N/A	N/A	N/A

- ▶ * Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work. We have needed several meetings with Management, Internal Audit and the Independent reviewer to assess progress in their reviews. We will be discussing the fee implications of this with management. We will update the Audit Committee at its meeting in September 2015
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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[ey.com](https://www.ey.com)

[To be prepared on the Council's letterhead]

24 September 2015

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SO14 3QB

2014/15 Letter of Representation

This representation letter is provided in connection with your audit of the financial statements of Winchester City Council ("the Council") for the year ended *31 March 2015*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Winchester City Council as of *31 March 2015* and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. We have approved the financial statements.

Letter of representation: Audit of financial statements

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3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 that are free from material misstatement, whether due to fraud or error.
5. There is one item of unadjusted audit difference relating to an under-accrual of expenditure amounting to £72,000 and an understatement of Creditors for the same amount. Management have determined not to adjust for this item because, in their view, it is not considered to have a material impact on the presentation of the Accounts.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.
4. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

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- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
 - Additional information that you have requested from us for the purpose of the audit, and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 3. We have made available to you all minutes of the meetings of the Council, and Cabinet (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:
 - Full Council 23 July 2015
 - Cabinet 9 September 2015
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
 5. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent. The Council has not provided financial guarantees to any third parties; therefore no specific disclosure is made within the financial accounts.

F. Subsequent Events

1. Other than described in Note 5 to the financial statements, there have been no

events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

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

H Retirement benefits

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

I Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except for matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, none of which involves any allegations of non-compliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency).

J Use of the Work of an Expert

Letter of representation: Audit of financial statements

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1. IAS 19 valuation

We agree with the findings of the Aon Hewitt engaged to provide IAS 19 valuation services for the defined benefit pension scheme as set out in note 31 and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records.

We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours Faithfully,

Chief Finance Officer – Alexis Garlick

I confirm that this letter has been discussed and agreed at the Audit Committee on 24 September 2015

Chair of Audit Committee– Councillor N Cutler