

REPORT TITLE: AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2017

28 SEPTEMBER 2017

REPORT OF PORTFOLIO HOLDER: Cllr Guy Ashton

Contact Officer: Liz Keys Tel No: 01962 848226 Email LKeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report summarises the *Audit Results Report for the Year Ended 31 March 2017* that has been presented by the Council's external auditors, EY. The report details the findings from the audit of the Financial Statements for 2016/17 and the results of the External Auditor's work on the Council's arrangements to secure value for money in the use of resources.

RECOMMENDATIONS:

That the Audit Committee:

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

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 External Audit findings contribute to the corporate governance arrangements of Winchester City Council, which in turn supports the achievement of the objectives of the Community Strategy.

2 FINANCIAL IMPLICATIONS

- 2.1 The fee for the audit of the 2016/17 Statement of Accounts was planned to be £56,336. The final fee has been proposed to be £61,436. The increase of £5,100 is for additional work undertaken in relation to the Value for Money conclusion.
- 2.2 The final fee for the certification of claims and returns is £6,630, a 20% reduction on the planned fee of £8,483. This saving reflects the increased reliance EY have placed on testing conducted by the Council's own staff.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 None

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None

8 EQUALITY IMPACT ASSESSMENT

- 8.1 None

9 RISK MANAGEMENT

- 9.1 None

10 SUPPORTING INFORMATION:

- 10.1 Proposed opinion

EY expect to issue an unqualified opinion on the financial statements.

10.2 Status of the audit work

EY commenced their work on auditing the financial statements at Winchester City Council on 20th July. At the time of issuing their Annual Results Report they have substantially completed their work though some work remains outstanding (see page 5 of Appendix A).

EY expect to complete their work and issue an unqualified opinion on the Council's financial statements at the same time as issuing the audit certificate.

10.3 Audit differences

In the course of the audit EY identified a number of non-material misstatements which the Council has changed in the final Annual Financial Report (see report AUD196 later on the agenda).

Additionally, since the draft Annual Financial Report was published in June, officers identified the miscategorisation of some of the Council's investments in the Financial Instruments note. Some available for sale financial instruments (£4.17m of long term and £9.16m of short term) were disclosed as loans and receivables. The categories were adjusted in Note 12 but this has not resulted in any change to the total value of investments.

There were no uncorrected misstatements at the time that the Audit Results Report was issued.

10.4 Value for money conclusion

EY have conducted extensive work on establishing their Value for Money conclusion. This work covered the Council's ability to deliver medium term financial balance and progress on developing the Council's organisational structure.

EY are proposing an unqualified opinion in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources.

11 OTHER OPTIONS CONSIDERED AND REJECTED

11.1 N/A

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD190: Annual Governance Statement 2016/17, 29 June 2017

AUD183: EY (External Audit) Audit Plan 2016/17, 7 March 2017

AUD158: Annual Audit Fee 2016/17, 28 June 2016

Other Background Documents:-

None.

APPENDICES:

Appendix A Audit Results Report for the year ended 31 March 2017 including the Letter of Management Representation 2016/17.



Winchester City Council
Audit results report

Year ended 31 March 2017

Private and Confidential

September 2017

Dear Committee Members

We have substantially completed our audit of Winchester City Council for the year ended 31 March 2017.

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 30 September 2017. We also have no matters to report on your arrangements to secure secure economy efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Authority, 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 look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Helen Thompson
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money

06 Other Reporting Issues

07 Assessment of Control Environment

08 Appendices

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).

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 September 2015)" 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 Audit Committee, other members of the Authority and management of Winchester City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, other members of the Authority and management of Winchester City 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 Audit Committee, other members of the Authority and management of Winchester City Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the 7 March 2017 Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of approximately £1.9 million. We reassessed this using the actual year-end figures, which has decreased this amount to approximately £1.8 million. The threshold for reporting audit differences has decreased from £93,050 to £91,200. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure.

Status of the audit

We have substantially completed our audit of Winchester City Council's financial statements for the year ended 31 March 2017 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 Authority's financial statements in the form which appears at Section 3. However, until work is complete, further amendments may arise. Work remains outstanding in the following areas:

- Full completion of work on miscellaneous disclosures and minor notes
- Full completion of work on long term asset valuation
- Full completion of work on the national non-domestic rates appeals provision.
- Review of the final version of the financial statements
- Completion of subsequent events review
- Receipt of the signed management representation letter



Executive summary (continued)

Status of the audit (continued)

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

Objections

As at 20 September 2017 we have received no objections from members of the public. The Council has, however, needed to extend the period during which local electors are able to inspect the financial statements and raise an objection until 21 September. We therefore cannot conclude at this stage that an objection will not be received and we will update the Committee verbally.

Audit differences

There are no unadjusted audit differences arising from our audit.

We have also identified a relatively small number audit differences which have been adjusted by management. Details can be found in Section 4 - Audit Differences.



Executive Summary

Executive summary (continued)

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Winchester City 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 Audit Committee.

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 identified significant risks which are considered in more detail in Section 5 of this report.

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



Executive Summary

Executive summary (continued)

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 have not yet fully completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will verbally update the Committee with progress in this area.

In its initial Notice of Public Rights, the Council incorrectly identified the period for the exercise of public rights as 30 days from 1 July to 30 July 2017, rather than 30 working days as required by the Accounts and Audit Regulations 2015. This resulted in the need to publish a supplementary Notice for an additional inspection period of 10 working days between 8 and 21 September 2017 to ensure full compliance with the statutory requirements.

The financial statements were completed to a good standard and were well supported by working papers. We also received a good level of support from officers during the audit.

Control observations

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 and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence.



02 Areas of Audit Focus





Areas of Audit Focus


Audit issues and approach: Management Override

Management override

What is the risk?

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

 Significant Risk

What did we do?

To gain assurance in respect of the general risk of management override:

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- We reviewed accounting estimates for evidence of management bias.
- We evaluated the business rationale for any significant unusual transactions.
- We evaluated the rationale for any changes in accounting policy.
- We considered the appropriateness of accounting adjustments made via the Movement in Reserves Statement.



Areas of Audit Focus

Audit issues and approach: Management Override

What are our conclusions?

Subject to full completion of our outstanding work we have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.



Audit issues and approach: Financial Statements Presentation

Financial Statements Presentation

What is the risk?

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) which change the way the financial statements are presented.

The new reporting requirements impact on both the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note.

The Code no longer requires statements or notes to be prepared in accordance with the Service Reporting Code of Practice (SeRCOP). Instead the service analysis is based on the organisational structure under which the authority operates. We expected this to show the Council's segmental analysis.

This change in the Code requires a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

What did we do?

Our approach focused on:

- A review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code.
- A review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported.
- Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.



Areas of Audit Focus

Audit issues and approach: Financial Statements Presentation

What are our conclusions?

Subject to full completion of our work we have concluded that the Council dealt well in adopting the new presentational changes required by the Code in its 2016/17 financial statements.



Areas of Audit Focus

Audit issues and approach: Accounting for Property Plant and Equipment



Accounting for Property, Plant and Equipment

Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council relies on both its internal qualified valuers, and engages an external expert valuer, both of whom apply a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted. 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.

This risk relates to assets that are revalued, being land and buildings and surplus assets. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost.

Our approach has focused on:

- Consideration of the work performed by both the internal valuation team and its external valuer, Wilks, Head & Eve, including the adequacy of the scope of the work performed, professional capabilities and the results of their work;
- Testing a sample of recalculations processed on the fixed asset register to individual valuation certificates, including a check of the accuracy of the valuer's calculations;
- Consideration of the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these had been communicated to the valuer;
- Review of management's approach for assets not subject to valuation in 2016/17 to ensure that the remaining asset base is not materially misstated;
- Consideration of external evidence of assets values via reference to the specific Local Government Gerald Eve report commissioned by the NAO for auditor use. Specifically we considered if this indicated any material variances to the asset valuations performed by both the internal valuers and Wilks, Head & Eve;
- Consideration of changes to useful economic lives as a result of the most recent valuation;
- Consideration of whether all asset categories, including those held at cost, had been assessed for impairment and are materially correct; and
- Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

As at 20 September we have yet to fully complete our work in this area, but based on the work completed to date there are no significant issues to bring to your attention. We will verbally update the Committee with progress.



Areas of Audit Focus

Audit issues and approach: Pensions Valuation and Disclosures



Pension Valuations and Disclosures

The Code and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS).

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. At 31 March 2017 this totalled £56.41 million (£50.46 million at 31 March 2016).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. 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.

Our approach has focused on:

- Liaising with the audit engagement team of the Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Winchester City Council;
- Assessing the conclusions drawn on the work and assumptions used by Aon Hewitt (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, PwC; and
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

No issues have been identified in completing our work. Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in Note 28 to the financial statements.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WINCHESTER CITY COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Winchester City Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement; Comprehensive Income and Expenditure Statement; the Balance Sheet; Cash Flow Statement; and the related notes 1 to 29; the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes H1 to H6; and the Collection Fund and the related notes C1 to C3.

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 2016/17.

This report is made solely to the members of Winchester City 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.

Respective responsibilities of the Corporate Director (Professional Services) and auditor

As explained more fully in the Statement of the Corporate Director (Professional Services) Responsibilities set out on page 10, the Corporate Director (Professional 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director (Professional Services); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Report for the year ended 31 March 2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Winchester City Council as at 31 March 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Annual Financial Report for the year ended 31 March 2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



Draft audit report (continued)

Our opinion on the financial statements

Conclusion on Winchester City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

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.

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 in November 2016, as to whether Winchester City 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 the Winchester City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Winchester City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Audit Report

Draft audit report (continued)

Our opinion on the financial statements

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2016, we are satisfied that, in all significant respects, Winchester City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Winchester City 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.

The maintenance and integrity of the Winchester City Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04

Audit Differences



Audit Differences

Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and 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 £1.36 million.

As at 20 September 2017 there was one adjusted misstatement to bring to your attention. Current and long term investments disclosed as part of Financial Instruments at Note 12 to the financial statements were incorrectly classified between Loans and Receivables and Available for Sale Financial Assets. The total gross value of adjustments made is approximately £13.3 million, but this relates to classification only and has no other impact.

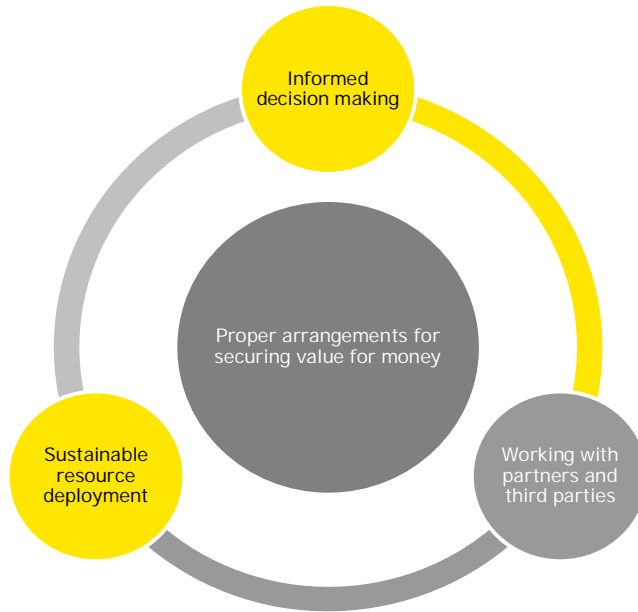
We report all uncorrected misstatements greater than £91,000. As at 20 September 2017 there are no uncorrected misstatements.



05 Value for Money



Value for Money



Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

Overall conclusion

We identified two significant risks around these arrangements. The tables below present our findings in response to the risks in our Audit Plan.

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



Value for Money

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:
“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”
Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.
The tables below present the findings of our work in response to the risks areas in our Audit Plan.

What is the significant VFM risk?

What arrangements did this affect?

Failure to deliver medium term financial balance

Deploying resources in a sustainable manner

In its Medium Term Financial Strategy (MTFS) considered at the planning stage of the audit the Council forecast a small net budget gap from 2018/19, growing to an annual budget gap of approximately £2.5 million by 2021/22. This is after assumed council tax increases, income from the capital programme and a net call on reserves. A number of large capital schemes are not forecast to start generating a return until the end of medium term planning horizon but are leading to upfront budget pressures.

The Council still does not face significant financial challenges in the short term relative to others due its level of reserves. However, it cannot continue to sustain its current financial position without recurrent reductions in spending or increases in income. Its strategy continues to be grow revenues. A significant part of this was through its relatively large and ambitious capital programme, and new and more commercial investment schemes such as the Strategic Asset Purchase Scheme which is intended to produce rental income to support services. The MTFS considered at the planning stage was based on the assumption that major projects in the capital programme will progress as planned. In recent years the Council has had difficulties in managing and delivering its capital programme on time and external reviews have noted a lack of available capacity to support asset management planning.

Our approach focused on the robustness of the Council’s plans and arrangements to deliver sustainable financial balance over the medium term with a particular focus on its ability to deliver its ambitious capital plans and the capacity of its asset management planning arrangements.



What are our conclusions?

Failure to deliver medium term financial balance

The Council has comfortably underspent against both its General Fund and HRA revenue budgets and has an adequate level of reserves to maintain financial resilience over the medium term. There is, however, a small but growing budget gap from 2018/19 and the Council continues to experience very significant slippage against its planned capital programme, noting that some slippage in delivery is not uncommon in local government. The Council is moving to a system of outcome based budgeting and clearer, simplified financial reporting. This is with the intention of more closely aligning its financial and organisational priorities, including the need to secure efficiencies, and being better able to assess achievement of its objectives. This remains work in progress at the end of the year.

The Council's financial plan at the end of the year required some reliance on its capital programme to deliver future revenue growth. It is starting to act more commercially to ensure that it generates a better return from its capital activity, which it is now clear should both support the delivery of its wider priorities and make a contribution to its revenue budget. It has a sizeable and ambitious capital programme for a Council of its size and has struggled to deliver this in recent years for a number of reasons. Given the link between the capital programme and the Council's MTFS requirement to grow revenues through capital activity, it can no longer afford a high level of slippage. This risk is recognised by the Council and the most recent update to the MTFS in 2017/18 reduces the level of reliance on the capital programme to finance revenue over the planning horizon. Specifically, the potential net financial benefits of the Station Approach and Central Winchester major projects are no longer factored into future revenue projections in the Council's future financial plans. This means that further revenue growth or savings will be required to close the recurrent budget gap from 2018/19. The Council is also starting to develop and establish appropriate capacity to support delivery of the capital programme, for example additional project management support and capital programme leads as part of the executive management team, and structure, for example the capital strategy board, to be able to accelerate delivery against its capital plans.



Value for Money

What is the significant VFM risk?

Progress on developing organisational arrangements

Our VFM conclusion work in 2015/16 considered the findings of recent external reviews of the Council undertaken in recent years in so far as they were relevant to our VFM conclusion responsibilities:

- Silver Hill Independent Review.
- 2013 Local Government Association (LGA) Peer Review.
- Local Partnerships Review of Programme Management (4Ps review).

Although progress had been made in relation to a number of the issues highlighted by the reviews we concluded there remained a need at the end of 2015/16 to continue to develop organisational arrangements in some areas.

As part of its membership of the LGA the Council has opted to take part in a corporate peer review co-ordinated by the LGA in early 2017. The last time it had a peer review was in 2013, and given the significant changes and developments that have taken place both inside and outside the Council over the past four years, including development of the new Council Strategy and recent changes in the Leadership Team, the Council considered it helpful to have a baseline assessment of its strengths and areas for development as an organisation.

Our approach was to focus on the progress made to address weaknesses in governance and other arrangements identified in previous years drawing on findings and evidence from the current LGA peer review of the Council.

What arrangements did this affect?

Informed decision making

Working with partners and other third parties



What are our conclusions?

Progress on developing organisational arrangements

The Council has made good progress in developing its governance arrangements in a number of areas during the year and into 2017/18. An updated Council Strategy has been produced to more clearly articulate Council priorities. Monitoring and control processes are being more closely aligned to this vision so the Council is better able to assess progress and concentrate on the things it considers important. The introduction of enhanced quarterly financial and performance reporting from quarter 1 of 2017/18, and plan to move to a system of outcome based budgeting, are good examples of this. Committee reporting has improved with a revised format for all committee papers to introduce greater clarity on the implications of reports and detailing specific areas of risk. All reports to Cabinet now go through a clear sign off process through CMT and Leader's Board before being released to Cabinet. The creation of informal cabinet meetings provides an opportunity to better scope Council policy ideas and future items that the Cabinet need to consider in the longer term. It also provides a forum for informal discussion on key emerging issues that enables a joint member and officer response to be taken more quickly. Efforts have been made to improve organisational capacity in a number of key areas, for example arrangements to deliver the Council's ambitious capital programme.

Some progress has been made in developing the Council's constitutional arrangements but the recent LGA peer review continues to note that decision making processes appear cumbersome and complex, and scrutiny could be making a more positive contribution. It also notes that a more consistent approach to managing the business would help to ensure messages and changes are embedded. This is recognised by the Council and changes to both the management structure of the Council, and further more significant planned changes to its constitutional arrangements, are being implemented to modernise the way the Council manages its business. It is essential that further progress is now made in this area.

Contract management arrangements remain an area of particular weakness. An Internal Audit review of arrangements for the Council's main Leisure and Environmental Services contracts concluded that only limited assurance can be placed on the effectiveness of the framework of risk management, control and governance, designed to support the achievement of management objectives for those contracts. A number of specific weaknesses pertaining to financial and performance monitoring, outdated contractual terms and management of risk were identified. The weaknesses are recognised by the Council, although they are considered to be limited to the contracts reviewed and wider procurement arrangements appear sound. The deficiencies in control have continued to erode confidence in how the contracts reviewed have been managed and controlled, and have prompted continued challenge which has required significant and ongoing input from management. It is essential that the weaknesses are addressed as a matter of priority. This is particularly important given the scale of the Council's ambitions, particularly in relation to the capital programme, and the high level of reliance it is likely to need to place on contractors and other third parties in the future.



06

Other reporting issues



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 Annual Financial Report for the year ended 31 March 2017 with the audited financial statements. We are satisfied that the information is consistent.

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.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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.

We have no matters to report.



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.

In its initial Notice of Public Rights the Council incorrectly identified the period for the exercise of public rights as 30 days from 1 July to 30 July 2017, rather than 30 working days as required by the Accounts and Audit Regulations 2015. This resulted in the need to publish a supplementary Notice for an additional inspection period 10 working days between 8 September and 21 September 2017 to ensure full compliance with the statutory requirements.

Given the tighter deadlines for accounts production and audit in 2017/18 it is essential that the Notice of Public Rights is correctly issued to avoid any delay in completing the audit.



07

Assessment of Control Environment



Assessment of Control Environment

Assessment of control environment

Financial controls

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.

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.

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.

A close-up photograph of a person's hand sorting through several stacks of papers in a filing cabinet. The papers are organized into folders of various colors (yellow, white, blue). The hand is reaching towards the top of one of the stacks. The background is a light-colored, textured wall.




08 Appendices



Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the audit committees of UK clients. We have done this by:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit 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.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	7 March 2017 Audit Committee Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> • Our view of the 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 	28 September 2017 Audit Committee Audit Results Report
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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	28 September 2017 Audit Committee Audit Results Report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Significant corrected misstatements, in writing 	28 September 2017 Audit Committee Audit Results Report



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. 	We have made enquiries of management and those charged with governance. We have not become aware of any material fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters we wish to report.
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	28 September 2017 Audit Committee Audit Results Report
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	We have no matters we wish to report.
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations.
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" ▶ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee. 	We have made enquiries of management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	28 September 2017 Audit Committee Audit Results Report None identified
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm's general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	7 March 2017 Audit Committee Audit Plan 28 September 2017 Audit Committee Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	28 September 2017 Audit Committee Audit Results Report
Certification work	Summary of certification work	Certification Report (due early 2018)



Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 16 February 2017.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you 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 Audit Committee on 28 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

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

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee – Code work	61,436*	56,336	56,336
Certification of claims and returns	6,630**	8,483	10,535

* Includes £5,100 additional fee for work undertaken to support the 2016/17 Value for Money conclusion. The additional fee is subject to final confirmation with Public Sector Audit Appointments Limited.




** Final proposed fee is 20% lower than the indicative fee reflecting an increased level of reliance placed on testing undertaken by Council staff to support the Housing Benefit Grant Claim audit. This is subject to satisfactory delivery of the testing undertaken by the Council and the initial work identifying no requirement for additional testing.



Appendix C

Outstanding matters

The following items are outstanding at the date of this report:

Item 	Actions to resolve 	Responsibility 
Management representation letter	Receipt of signed management representation letter	Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY
Whole of Government Accounts	Completion of audit procedures	EY
Review of the final version of the financial statements	Prepare and review final post-audit financial statements	EY and Management
Full completion of work on miscellaneous disclosures and minor notes	Completion of work to agree a relatively small of notes to the financial statements and other disclosures	EY
Full completion of work on reserves	Full completion of work to agree movements in reserves	EY
Full completion of work on long term asset valuation	Work on asset valuation is well progressed, but a small amount of work remains outstanding	EY
Full completion of work on the national non-domestic rates appeals provision	Work is well progressed, but a small amount of work remains outstanding	EY





Appendix D

Accounting and regulatory update



Accounting update

Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Winchester City Council 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. <p>• Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Remeasure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>



Appendix D

Name	Summary of key measures 	Impact on Winchester City Council 
<i>IFRS 15 Revenue from Contracts with Customers</i>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> • Leases; • Financial instruments; • Insurance contracts; and • for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <ul style="list-style-type: none"> • There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be. 	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> • Disaggregate revenue into appropriate categories • Identify relevant performance obligations and allocate income to each • Summarise significant judgements <p>There is unlikely to be a significant impact on the Council.</p>
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council is has yet to commence work in this area due to the timing of implementation.</p>



Appendix E

Management representation letter

Management Representation Letter

28 September 2016

Helen Thompson
Executive Director
Ernst & Young
Threefield House,
19 Threefield Ln,
Southampton
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Winchester City Council ("the Council") for the year ended 31 March 2017. 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 2017 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Council, 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, 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 2016/17. We have approved the financial statements.



Appendix E

Management Representation Letter (contd)

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. 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 2016/17, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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 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 identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you 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;
 - 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.



Appendix E

Management Representation Letter (contd)

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 Committees held through 2016/17 to the most recent meeting of the Audit Committee on 28 September 2017.
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 period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. 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, and have disclosed all guarantees that we have given to third parties.

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



Appendix E

Management Representation Letter

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have employed or engaged to evaluate the valuation of property, plant and equipment, and the pension fund liability and have adequately considered the qualifications of the specialists 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 specialists 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 specialists.

H. Accounting Estimates – Property, Plant and Equipment and Pension Fund Liability Valuation

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

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.

J. Expenditure Funding Analysis

1. We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
2. We confirm that the financial statements reflect the operating segments reported internally to the Council.

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ED None

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