



Meeting Audit Committee

Date and Time Tuesday, 31st July, 2018 at 6.30 pm.

Venue Walton Suite, Guildhall, Winchester

S U P P L E M E N T A R Y A G E N D A

The following item was not notified for inclusion on the agenda within the statutory deadline. Therefore, the Chairman will need to decide whether or not to accept this item onto the agenda as a matter requiring urgent consideration.

Agenda Item.

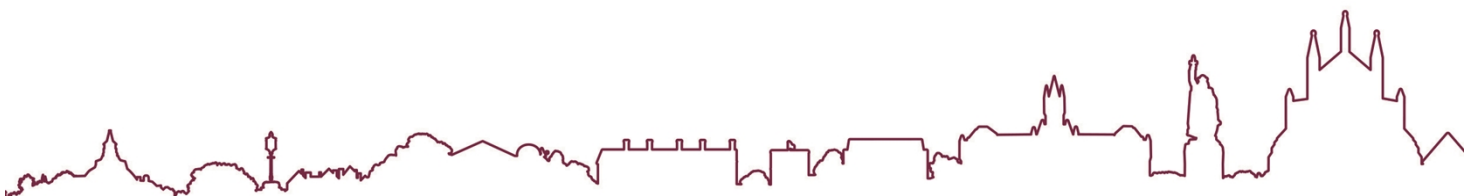
7. Audit Results Report for the year ended 31 March 2018 AUD217 (Pages 3 - 52)

(AUD217)

City Offices
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Winchester
SO23 9LJ
23 July 2018

LHall
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AUD217
AUDIT COMMITTEE

REPORT TITLE: AUDIT RESULTS REPORT FOR THE YEAR ENDED 31 MARCH 2018

31 JULY 2018

REPORT OF PORTFOLIO HOLDER: Cllr Guy Ashton

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

WARD(S): ALL

PURPOSE

The *Audit Results Report for the Year Ended 31 March 2018* is presented by the Council's external auditors, Ernst & Young (EY). The report summarises their preliminary conclusions from the audit of the Financial Statements for 2017/18 and those from their 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 1) 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 1).

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 2017/18 Statement of Accounts was planned to be £56,336. The final fee has been proposed to be £61,336. The fee variation is subject to approval by Public Sector Audit Appointments (PSAA).

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 ASSESSEMENT

- 8.1 None

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None

10 RISK MANAGEMENT

- 10.1 None

11 SUPPORTING INFORMATION:

- 11.1 EY are expecting to issue an unqualified audit opinion on the financial statements by the statutory deadline of the 31 July 2018. They also have no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 11.2 The audit of the financial statements identified one unadjusted difference that EY wish to draw to the Committee's attention. For timing reasons, the actuary estimates the value of the pension fund assets at 31 March. This estimate varied by approximately £31 million from the actual fund value as at 31 March. The Council's estimated share of this variance is £535,000. This non-material variance has not been adjusted in the accounts.
- 11.3 A small number of other disclosure errors were identified by the audit work and have been amended in the accounts.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

AUD208 Audit Planning Report (March 2018)

Other Background Documents:-

None

APPENDICES:

Appendix 1 Audit Results Report for Year ended 31 March 2018

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Winchester City Council Audit results report

Year ended 31 March 2018

July 2018

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world

26 July 2018

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Winchester City Council for 2017/18. We will issue our final report after the Audit Committee meeting scheduled for 31 July 2018.

We have substantially completed our audit of Winchester City Council for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 31 July 2018.

Yours faithfully



Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee 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, 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 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 our prior written consent.



01

Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the 8 March 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following points to be noted:

- The Council restated its Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, and a number of its disclosure notes, as a result of a change in internal reporting structure in 2017/18. We were therefore required to review the restated prior year comparators shown in the 2017/18 financial statements. We are proposing to raise an additional fee for this change in audit scope. We detail our audit fees in Section 9 of this report.
- Changes in materiality - in our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.824 million. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.899 million. This results in updated performance materiality, at 75% of overall materiality, of £1.424 million, and an updated threshold for reporting misstatements of £95,000.

Page 10 status of the audit

We have substantially completed our audit of Winchester City Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- full completion of our procedures on journals testing; property, plant and equipment valuation testing; CIES/EFA restatement testing; related party transaction testing, housing benefit expenditure testing and reserves testing.
- any additional procedures required arising from final review of work undertaken on the file
- completion of our audit conclusion procedures
- receipt of requested assurances from the Monitoring Officer
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter
- Full completion of work on Whole of Government Accounts. However, as the Council is below the £500m threshold requiring detailed procedures on your consolidation pack, we expect to have no matters to report.

The Council responded well to the challenges to the operational and delivery challenges caused by earlier deadlines for production and audit of the financial statements and we are grateful for the support received by officers.



Executive Summary

Audit differences

Based on our work to 26 July 2018 there is one unadjusted differences arising from our audit which we wish to draw to your attention which are set out in more detail in Section 4 of this report.

A very small number of other disclosure errors were identified as a result of our work.

We will update the Audit Committee on 31 July 2018 if any further adjusted, or unadjusted, differences are identified.

Areas of audit focus

Our audit planning report 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
- 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.

Control observations

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

We have not detected any other deficiencies in internal control through our work which we wish to draw to your attention.



Executive Summary

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources. Our detailed findings are set out in Section 5 of this report.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council and compliance with relevant guidance. We have no issues to bring to your attention from undertaking this work.

As at 26 July 2018 we have not yet fully completed our procedures in this area. However, as the Council is below the £500 million threshold requiring detailed procedures on your consolidation pack, we expect to have no matters to report.

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Independence

Please refer to Section 9 for our update on Independence. There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



02 Areas of Audit Focus



Areas of Audit Focus

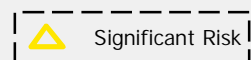
Significant risk

Misstatements due to fraud or error

What is the risk?

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

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



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What judgements are we focused on?

In addition to undertaking the procedures mandated by ISA240 (shown in the "What did we do?" section below), our work focussed on the following areas of potential management override:

Accounting policies – we reviewed accounting policies for compliance with the CIPFA Code of Practice, for appropriateness of tailoring, and for changes from the prior year. We were also mindful of possible non-compliance with accounting policies when undertaking our detailed testing of balances and transactions.

Accounting estimates – our work on estimates focussed on PPE valuation and IAS19 pension estimates,

What did we do?

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- We reviewed accounting estimates for evidence of management bias, including estimates with a higher level of inherent risk relating to PPE and the pension liability.
- We considered the appropriateness of any changes to accounting policies particularly those impacting on accounting estimates.
- We considered entries made in the Movement in Reserves Statement (MIRS) which impact on the Council's reported reserves.
- We evaluated the business rationale for significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override based on our work undertaken to date noting we have a some work outstanding at 26 July 2018. Specifically:

- We have not identified any inappropriate journals or adjustments.
- Accounting policies were in line with the requirements of the financial reporting framework. We identified no instances of the Council's accounting policies being inappropriately selected or applied by management.
- Entries to the MIRS were appropriate.
- We have not identified any instances of inappropriate judgements being applied in relation to accounting estimates, or other balances and transactions.
- We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.



Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

Valuation of Land and Buildings
 The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do?

The procedures we undertook were to:

- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (for example floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property;
- Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; and
- Test to confirm that accounting entries have been correctly processed in the financial statements.

What are our findings?

Our work in this area remains ongoing at 26 July 2018.

We identified that the depreciation charge for council dwellings was based on an estimated useful life of 150 years for the structural element of buildings. Following our challenge, this has been revised by the Council, based on the advice of its valuer, to 80 years which we consider to be reasonable, **although it is at the upper end of our expectations.**

The Council had also not initially removed the value of land, which is not subject to revaluation, from its original calculation of HRA depreciation. The combined impact of these adjustments, which offset against each other, resulted in a trivial impact on the overall council dwelling depreciation charge. Given the trivial impact of the error no adjustment has been made to the depreciation charge in the financial statements.



Areas of Audit Focus

Other areas of audit focus

What is the risk/area of focus?

Pension Asset/Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £56.4 million.

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

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.

Restatement of Comprehensive Income and Expenditure Statement (CIES) and Expenditure and Funding Analysis (EFA)

Restructuring of services undertaken in the period will require the Council to re-analyse, re-present and re-state the portfolio analysis of its service level income and expenditure disclosed in the CIES and other related disclosures in its financial statements.

What did we do?

The procedures we undertook were to:

- Liaise with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Winchester City Council;
- Assess the work of the Pension Fund actuary (Aon Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

The procedures we undertook were to:

- Agree the restated comparative figures back to the Council's prior year financial statements and supporting working papers;
- Review the CIES, EFA and supporting notes to ensure disclosures are in line with the Code; and
- Review 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.

What are our findings?

Our work in this area is substantially complete.

We have received the assurances from the Hampshire Pension Fund auditors, and are able to rely on the actuary.

We have one finding from our review of available outturn information. For timing reasons, the actuary estimates the value of the pension fund assets at 31 March. This estimate varied by approximately £31 million from the actual fund value as at 31 March. The Council's estimated share of this variance is £535,000, which is not material but above our threshold to report to you.

Management have decided not to adjust the accounts for this non-material variance, and we are seeking your approval for this and the explanation provided in the letter of representation.

Our work in this area remains in progress as at 26 July 2018.

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Areas of Audit Focus



Other matters

Assessment of new Accounting Standards

IFRS 9 Financial Instruments: The 2018/19 Code introduces IFRS 9 on financial instruments. Your view is that the impact on the Council's financial statements will be immaterial. The Council will need to keep this standard under continued focus during 2018/19 because statutory overrides may be introduced by Central Government.

IFRS 15 Revenue from Contracts with Customers: Similarly the 2018/19 Code of Practice on Local Authority Accounting for the United Kingdom determines how IFRS 15 Revenue from Customers with Contracts will be adopted by local government bodies. In your view IFRS 15 will not have a material impact on this Council's financial statements as the vast majority of the Council's income streams are taxation or grant based.



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

We have audited the financial statements of Winchester City Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement; Movement in Reserves Statement; Balance Sheet; Cash Flow Statement and the related notes 1 to 32; the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes H1 to H6; 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 2017/18.

In our opinion the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director (Resources)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director (Resources) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Annual Financial Report for the year ended 31 March 2018, other than the financial statements and our auditor's report thereon. The Strategic Director (Resources) is responsible for the other information.

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

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

We have nothing to report in this regard.

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, 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 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- 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.



Audit Report

Draft audit report

Our opinion on the financial statements

Responsibility of the Strategic Director (Resources)

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 10, the Strategic Director (Resources) is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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



Audit Report

Draft audit report

Our opinion on the financial statements

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 2017, as to whether the 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 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 2018.

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

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 requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

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

Use of our report

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.



04 Audit Differences





Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of differences

We highlight misstatements greater than £1.424 million which have been corrected by management that were identified during the course of our audit. There no such adjusted differences we wish to draw to your attention.

Based on our work to 26 July 2018 there is one unadjusted difference arising from our audit which we wish to draw to your attention. For timing reasons, the actuary estimates the value of the pension fund assets at 31 March. This estimate varied by approximately £31 million from the actual fund value as at 31 March. The Council's estimated share of this variance is £535,000. Management have decided not to adjust the accounts for this non-material variance, and we are seeking your approval for this and the explanation provided in their letter of representation.

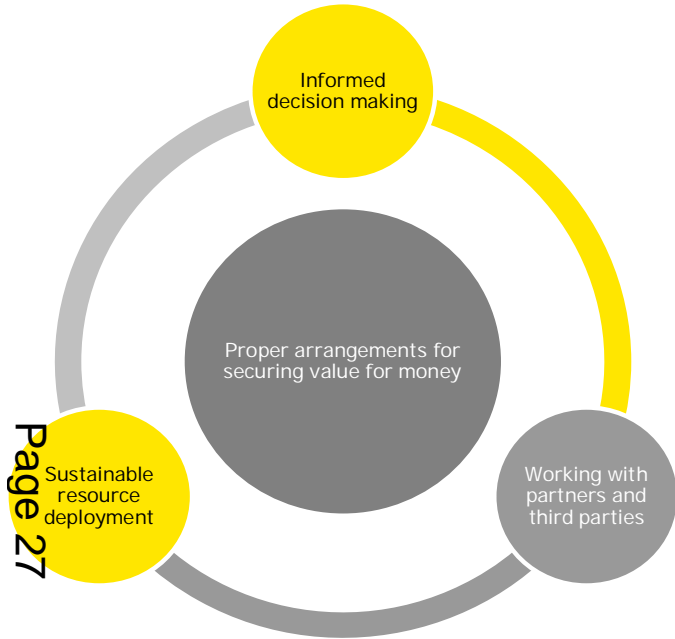
A small number of other disclosure errors were identified as a result of our work which have been amended.



05

Value for Money Risks





Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

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

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

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

- § Take informed decisions;
- § Deploy resources in a sustainable manner; and
- § Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

As reported in our Audit Plan our work at the planning stage of the audit identified no significant risks. We noted, however, that we would continue to review the development of contract management and procurement arrangements in response to issues raised as part of our 2016/17 VFM conclusion work. We also undertook to consider the ongoing work at the Council to modernise and improve organisational governance more generally.

The results of our work to update our planning assessment and consider these areas of focus is set out over the remainder of Section 5.

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



Planning update and detailed findings

Year-end financial position and future financial plans

The Council performed well against the targets it set for itself in the 2017/18 budget.

In terms of General Fund revenue performance, the Council underspent against budget by approximately £1.8 million including funding & investment activity, baseline net expenditure, and reserves and other adjustments. Total General Fund reserves (including the General Fund balance) increased by around £3 million in the period mainly due to increases in Community Infrastructure Levy balances of £2.5 million. The final surplus after transfers to and from earmarked reserves of approximately £0.8 million was transferred to the General Fund balance. A small surplus was also delivered against the Housing Revenue Account (HRA) revenue budget with the Council reporting an outturn surplus of £118,000 which was added to the HRA working balance, against a budgeted deficit for the year of approximately £2.3 million.

Total capital expenditure in year was £26.8 million of which £19 million related to the HRA. General Fund capital expenditure amounted to £7.8 million compared to a total budget of £26.1 million including brought forward balances from the 2016/17 budget set in July 2017. In the Housing capital programme, total spend in the year was approximately £19 million against a budget forecast in July 2017 of £24.7 million, giving a final variance of £5.7 million or 77 per cent spend against budget in the year. This compares with an 83 per cent spend against the final budget forecast from January 2018 of £23 million. Considering the position against the original budget there remains a relatively high level of slippage in the General Fund capital programme budget and, to a lesser extent, the HRA capital programme budgets. The Council continues to have a high value and ambitious capital programme relative to its size. Although the Council is not heavily reliant on the delivery of the capital programme to generate revenue benefits needed to help balance the budget over the medium term, it does recognise that arrangements in this area need to continue to be developed and improved with project governance and reporting recognised as a significant governance issue in its year end Annual Governance Statement.

The Council last reported an update of its Medium Term Financial Strategy (MTFS) in February 2018. This showed that the previously reported budget gap for 2018/19 has now been closed. However the MTFS shows a small budget gap from 2019/20 with a sharp increase to £4.3 million from 2020/21. The Council has a good track record of closing the budget gap annually and has actually added to available reserves over the last three years. We therefore currently have no significant concerns over the Council's financial resilience. It is however important that good financial discipline is maintained to help mitigate the potential impact of risks and uncertainties faced over the medium term. Specifically:

- Revenue Support Grant (RSG) and Business Rates Baseline medium term forecasts are largely in line with the current four year settlement to 2019/20, including a negative RSG commencing from 2019/20. The current DCLG fair funding review will have an impact on these forecasts when the details become clearer.
- Retained Business Rates forecasts are based on the assumption there will be a reset of retained growth in 2020/21 which is expected to cause a significant reduction in funding. This results in the significant increase in the forecast budget gap in 2020/21.



Planning update and detailed findings

- The New Homes Bonus has been a significant source of funding to the Council over recent years, peaking at £3.3 million in 2016/17. Commencing from 2017/18 government reduced the overall 'pot' of funding available to distribute as new homes bonus, and consequently made a number of changes in order to reduce the overall incentive. As well as reducing the overall incentive the changes have also greatly increased the uncertainty over how much reward will be received.

The introduction of financial and performance quarterly monitoring during the year has brought a greater level of accountability and clarity for members, officers and the wider public on the financial and overall performance of the Council on an in-year basis. The in-year reporting process, including the new quarterly monitoring reports, highlighted a forecast underspend position for the General Fund during the year. Having early clarity on this enabled the Council to build estimates into the 2018/19 budget process and resource key projects in a timely manner. A continuation of this improved approach to monitoring and control is essential for the Council to more effectively plan, monitor and control its finances. Given the level of financial challenge and uncertainty faced by Local Government generally, and the Council specifically, this is a necessary improvement to arrangements. In particular it will assist the Council in being able to better assess the efficacy of the actions to secure savings in a timely manner as it seeks to continue to close the medium term budget gap it faces.

Developments in contract management and procurement arrangements

At the planning stage of the audit we noted that we would continue to review the development of contract management and procurement arrangements in response to issues raised as part of our 2016/17 VFM conclusion work. As part our 2016/17 audit results report we highlighted specific weaknesses in contract management arrangements for the Council's main Leisure and Environmental Services contracts.

As part of our work we have considered the following relevant developments during the year and up to the date of audit:

- The Biffa joint waste collection contract with East Hampshire District Council is currently up for re-negotiation with the Council planning to extend the contract for eight years or go out to competitive tender. Irrespective of whether the contract is renegotiated and extended or re-procured the Council plans to bring contract management arrangements back in-house to address previously identified weaknesses.
- An Internal Audit review of procurement with a final report date of July 2018 has been undertaken in the period. Although some continuing control weaknesses are highlighted by the report the overall conclusion is one of adequate assurance.
- The Council has commenced an operator procurement exercise for outsourced leisure services. Part of the remit of this is to seek a better financial deal and update contractual arrangements to offer a greater level of clarity, accountability and control.

We are therefore satisfied that progress is being made to address the previously identified issues. There is however a clear recognition that this area remains a work in progress and an Internal Audit review of high level arrangements for working in partnership arrived at a 'limited assurance' conclusion meaning that 'significant weakness were identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.' The Council recognises that some of the partnership audit weaknesses identified by the review feed into contract management which it has assessed as being a much greater strategic risk, and which features as a significant governance issue in its 2017/18 Annual Governance Statement.



Planning update and detailed findings

Developments in organisation governance arrangements

At the planning stage we noted that we would consider the ongoing work at the Council to modernise and improve organisational governance more generally building on the Local Government Association (LGA) Peer review undertaken in 2016/17 and the independent review of Silver Hill carried out in 2015/16.

A Peer Review follow-up had been planned to be delivered by the LGA in June 2018 but this has been delayed. We have therefore considered Internal Audit work to follow-up progress made against recommendations arising from both the LGA and Silver Hill reviews.

Based on the Internal Audit work undertaken at February 2018, good progress is being made in addressing the recommendations arising from both the 2016/17 LGA Peer Review and the independent review of Silver Hill that preceded it. There is only one remaining 'red' rated recommendation for progress on implementation across both reviews with the majority of recommendations having 'green' status for implementation. However, major work to fully review and refresh the Council's Constitution remains ongoing and it is important the Council retains a continued focused on the modernisation and development of governance arrangements at an organisational level to promote greater flexibility and responsiveness of decision making.

Overall we are satisfied that adequate arrangements were in place during the year.



06 Other reporting issues



Other reporting issues

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

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

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

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

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council and compliance with relevant guidance. We are satisfied that the Annual Governance Statement is consistent with our knowledge of the Council and other relevant sources of information and meets both disclosure requirements and other requirements of relevant guidance.

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Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

As at 26 July 2018 we have not yet fully completed our procedures in this area. However, as the Council is below the £500 million threshold requiring detailed procedures on your consolidation pack, we expect to have no matters to report.

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 Council’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;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no matters to report.



07

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

As at 26 July 2018 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. There is, however, one issue which we wish to draw to your attention.

As part of our work we are required to obtain and read significant contracts, agreements, and similar documents and consider their accounting or auditing implications. In undertaking this work we identified that the Council's on-line contract register accessible via its website was not fully complete and up to date. It is important that this is addressed and we note that the Council itself discloses a significant governance issue in its 2017/18 Annual Governance Statement around the need to disclose a comprehensive contracts register.



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – testing of General Ledger Journals, and Employee Costs

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the Council's audit included testing journal entries and employee costs, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes securely. These processes are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



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9 Independence

Confirmation

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

We complied with the FRC 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 and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 31 July 2018.

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

Independence



Relationships, services and related threats and safeguards



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

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

Services provided by Ernst & Young

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

We confirm that none of the services listed in the below table has been provided on a contingent fee basis.

Independence

Fee analysis

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

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

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee – Code work	57,115**	56,336	56,336	61,336*

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All fees exclude VAT


* The 2016/17 final fee includes a scale fee variation of £5,000 for additional work done to support the 2016/17 Value for Money Conclusion that has been approved by Public Sector Audit Appointments Limited (PSAA).



** the 2017/18 includes a proposed scale fee variation of £779 for work undertaken the restatement of the CIES, EFA and related notes which constitutes a change in audit scope. This remains subject to approval by PSAA.



10 Appendices

Required communications with the Audit Committee

 Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report, Audit Committee 8 March 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report, Audit Committee 8 March 2018
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report, Audit Committee 31 July 2018

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • 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 	No conditions or events were identified, either individually or together to raise any doubt about Winchester City Council's ability to continue for the 12 months from the date of our 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 • Material misstatements corrected by management 	Audit results report, Audit Committee 31 July 2018
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	We have enquired of management and those charged with governance. We have no matters to report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report, Audit Committee 31 July 2018

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Council’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the Council 	Audit results report, Audit Committee 31 July 2018
Independence	<p>Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report, Audit Committee 8 March 2018 and Audit results report, Audit Committee 31 July 2018
External confirmations	<ul style="list-style-type: none"> • Management’s refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have asked 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. 	Audit results report, Audit Committee 31 July 2018
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report, Audit Committee 31 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report, Audit Committee 31 July 2018
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report, Audit Committee 31 July 2018
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report, Audit Committee 8 March 2018 and Audit results report, Audit Committee 31 July 2018
Certification work	<ul style="list-style-type: none"> Summary of certification work 	We will report on the outcome of our certification work in line with the certification deadline of 30 th November 2018.

Management representation letter

Management Representation Letter

Helen Thompson
Associate Partner
Ernst & Young LLP
Wessex House
19 Threefield Lane
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 2018. 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 Council financial position of Winchester City Council as of 31 March 2018 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 2017/18.

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 2017/18.
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 2017/18. We have approved the financial statements.
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 2017/18, that are free from material misstatement, whether due to fraud or error.

Management representation letter

Management Representation Letter

5. We believe that the effects of any unadjusted audit differences accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

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

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

C. Information Provided and Completeness of Information and Transactions

1. 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.
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 2017/18 to the most recent meeting of the Audit Committee on 31 July 2018.

Management representation letter

Management Representation Letter

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.

D. 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 in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than as described in Note 7 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.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the the valuation of property, plant and equipment and pension fund assets and liability. We 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.

Management representation letter

Management Representation Letter

H. Estimates

Valuation of Property, Plant and Equipment

Valuation of Pension Fund assets and liabilities

Accounting entries relating to Private Finance Initiative schemes

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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
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 2017/18.
3. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

I. 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.

Yours faithfully,

Joseph Holmes
Strategic Director (Resources), Section 151 Officer

Cllr Neil Cutler OBE
Chair of the Audit Committee

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ED None

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