

Supplementary Committee Agenda



**Epping Forest
District Council**

Finance and Performance Management Cabinet Committee Thursday, 14th September, 2017

Place: Committee Room 1, Civic Offices, High Street, Epping

Time: 7.00 pm

Democratic Services: R. Perrin Tel: (01992) 564532
Email: democraticservices@eppingforestdc.gov.uk

9. ANNUAL GOVERNANCE REPORT (Pages 3 - 30)

(Director of Resources) To consider the attached Annual Governance Report.

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EPHING FOREST DISTRICT COUNCIL

AUDIT COMPLETION REPORT
Audit for the year ended 31 March 2017
6 September 2017



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INTRODUCTION

PURPOSE AND USE OF THIS REPORT

We present our audit completion report to the Audit and Governance Committee, which details the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. As the purpose of the audit is for us to express an opinion on the financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit and Governance Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

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

AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcomes feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our latest Transparency Report at www.bdo.co.uk.

SUMMARY

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section below.
Audit risks	Property, Plant & Equipment valuations and Pension Liability assumptions were classified as significant risks during our updated risk assessment subsequent to our Planning Report to you dated 10 March 2017. These were previously reported as "Normal risk" within our Planning Report, however given the size and sensitivities of these estimations the risk was considered "significant". Please see pages 8-9.
Materiality	Our final materiality is £2,000,000. We have increased our materiality by £100,000 since our planning report to you, based upon gross expenditure in the current year's draft financial statements.
Changes to audit approach	There were no other significant changes to our planned audit approach nor were any restrictions placed on our audit.

KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Our audit has not identified any material misstatements to date.
Adjusted misstatements	A number of presentational changes have been made to the draft financial statements as a result of the audit.
Unadjusted audit differences	Our audit work to date has not identified any unadjusted audit differences.
Control environment	Our audit identified no significant deficiencies in internal controls.

SUMMARY

AUDIT OPINION	
Financial statements	Subject to the successful resolution of outstanding matters set out on page 5, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2017.
Annual governance statement	We have no exceptions to report in relation to the consistency of the annual governance statement with the financial statements or our knowledge.
Use of resources	We anticipate issuing an unmodified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources.

OTHER MATTERS FOR THE ATTENTION OF THE AUDIT AND FINANCE COMMITTEE	
Whole of Government Accounts	The Council is below the audit threshold for a full assurance review of the Whole of Government Accounts (WGA) return.
Other responsibilities	We have not exercised any of our other powers or duties under the Local Audit and Accountability Act 2014.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.

OUTSTANDING MATTERS

We have substantially completed our audit work for the year ended 31 March 2017, and anticipate issuing an unmodified opinion on the financial statements and use of resources conclusion.

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit and Governance Committee meeting at which this report is considered:

- 1 Collection Fund Income

- 2 Current Debtors

- 3 Current Creditors

- 4 Housing Rent Income and its Reconciliation to the General Ledger

- 5 Review of Annual Governance Statement and Narrative Reports

- 6 Clearance of manager and Director review comments

- 7 Final review and approval of the Statement of Accounts, including the financial statements

- 8 Internal quality control review process

- 9 Subsequent events review

- 10 Management representation letter, as set out in Appendix VI, to be approved and signed.

KEY AUDIT AND ACCOUNTING MATTERS

AUDIT RISKS

We assessed the following matters as audit risks, as identified in our earlier planning report dated 10 March 2017 and the additional significant audit risks in relation to property, plant and equipment and pension liability valuations during our updated planning process. Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1	Management override of controls	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We also reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</p> <p>We also obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.</p>	<p>No issues have been identified in our review of the appropriateness of journal entries and other adjustments to the financial statements.</p> <p>Our work on accounting estimates has not identified any evidence of bias.</p> <p>We have not identified any unusual transactions.</p>

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2	Revenue recognition	<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the completeness, accuracy and existence of income.</p> <p>We also consider there to be a significant risk in relation to the existence of fees and charges and investment rental income recorded in the Comprehensive Income and Expenditure Statement.</p>	<p>We carried out audit procedures to gain an understanding of the authority's internal control environment for the significant income streams, including how these operate and ensure that income is recognised.</p> <p>We also substantively tested an increased sample of fees and charges income.</p>	No issues have been identified during our testing.

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3	Property, plant and equipment valuations	<p>Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date.</p> <p>The fair value for land and buildings, including Epping Forest Shopping Park, in PPE and investment properties is a management estimate based on market values or depreciated replacement cost (DRC). Management use external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an external expert (valuer) to undertake a full valuation. For investment properties the council uses in house RICS-qualified valuers.</p> <p>There is a risk over the valuation of land and building as the valuations are based on assumptions that are uncertain by nature, if inappropriate or inaccurate assumptions are used in the calculation of fair values.</p> <p>The extent of these increases exceeded our expectations (which are based on the increases in property prices suggested by published indices). We therefore considered that the valuation of property, plant and equipment (including investment properties) presented a significant risk of material misstatement.</p>	<p>We reviewed the inputs, instructions provided to the valuer and reviewed the valuers' skills and expertise in order to determine if we can rely on the management experts.</p> <p>We also confirmed that the basis of valuation for assets valued in year is appropriate based on their usage.</p> <p>We also reviewed valuation movements against indices of price movements for similar classes of assets and followed up valuation movements that appeared unusual compared to these indices.</p>	<p>No issues have been identified during our testing.</p>

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	Pension liability assumptions	<p>The net pension liability comprises the Council's share of the market value of assets held in the Essex County Council Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent pension firm of actuaries with specialist knowledge and experience. The calculation is complex and inputs can be part of a range of appropriate percentages and ages. Management uses an external expert Barnett Waddingham to provide the updated IAS 19 valuations, and the assumptions are determined independently by the actuary based on its sector experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p> <p>An independent review of actuarial assumptions by PwC, commissioned by PSAA, highlighted that the discount rate used by the pension fund actuary, Barnett Waddingham, to calculate the value of the liability is outside of what PwC would consider a reasonable range and that the inflation assumption was at the top of their reasonable range.</p>	<p>We agreed the disclosures to the information provided by the pension fund actuary.</p> <p>We contacted the administering authority and requested confirmation of the controls in place for providing accurate membership data to the actuary.</p> <p>We reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</p> <p>We engaged an auditors' expert, Broadstone, due to the specialist nature of the pension fund liability calculation to consider the matters highlighted in the PwC report and the impact on the reported pension liability.</p> <p>Broadstone concluded that reducing both of the identified variables would have a negligible effect on the pension liability.</p>	<p>We have no matters to report.</p> <p>We are satisfied that the matters highlighted in the PwC report regarding Barnett Waddingham do not have a material impact on the financial statements.</p>

KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	Changes in presentation of the financial statements	<p>The Code requires a change to the presentation of some areas of the financial statements. This includes:</p> <ul style="list-style-type: none"> • Change to the format of the Comprehensive Income and Expenditure Statement (CIES) • Change to the format of the Movement in Reserves Statement (MIRS) • New Expenditure and Funding Analysis (EFA) note • Change to the Segmental Reporting note • New Expenditure and Income analysis note. <p>These changes will require a restatement to the 2015/16 CIES.</p> <p>There is a risk that these presentational changes are not correctly applied in the financial statements.</p>	<p>We reviewed the draft financial statements against the CIPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements.</p> <p>We ensured that the restatements required by the changes to the Code agreed to prior year financial records. We also ensured that the new notes are in the same format as reported to Finance and Performance Management Cabinet Committee.</p>	<p>No issues were identified by our audit. The presentational changes and restatement of relevant sections of the financial statements are in accordance with the Code.</p>

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	Consideration of related party transactions	We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.	<p>We documented the related party transactions identification procedures in place and reviewed the relevant information concerning any such identified transactions.</p> <p>We also discussed with management and reviewed councillors and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us.</p>	Five declarations had not been returned. This has been commented on in Appendix II. No other issues have been identified during our testing.

KEY AUDIT AND ACCOUNTING MATTERS

OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

	AUDIT AREA	AUDIT FINDINGS
1	Fraud and error	<p>We are required to discuss with you the possibility of material misstatement, due to fraud or error, and to reassess this throughout the audit. We enquired of management regarding instances of fraud in the period, and considered throughout the audit the possibility of material misstatement of the financial statements due to fraud or error.</p> <p>We are not aware of any instances of fraud other than housing benefit and housing tenancy fraud committed against the Council.</p> <p>Our audit procedures have not identified any material errors due to fraud.</p>

OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
1	We are required to review the draft Annual Governance Statement and be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Councils review of effectiveness and our knowledge of the Council.	This work is in currently in progress and a verbal update will be provided at the Audit and Governance Committee.
2	We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.	This work is in currently in progress and a verbal update will be provided at the Audit and Governance Committee.

CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Council's financial statements and conclusion on the use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We note that the Council's internal audit function has issued a number of observations and recommendations on the Council's control environment during 2016/17. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

We are not aware of any significant deficiencies in the Council's internal controls in 2016/17.

WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

	MATTER	COMMENT
1	<p>Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure.</p> <p>The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.</p>	<p>Local authorities were required to submit the unaudited data collection tool (DCT) to HM Treasury and auditors by 7 July 2017. The Council has not yet submitted its DCT as the Finance department had been awaiting further information from other Council departments. The Finance department has confirmed that the submission will be made by mid-September.</p> <p>We will submit the relevant section of the assurance statement to the National Audit Office prior to the statutory deadline.</p>

USE OF RESOURCES

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). This is based on the following reporting 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.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We reported our risk assessment, which included use of resources significant risks, in the 2016/17 planning report issued on 10 March 2017. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

We report below our findings of the work designed to address these significant risks and any other relevant use of resources work undertaken.

DESCRIPTION AND WORK PERFORMED	FINDINGS AND CONCLUSION
<p>At the planning stage we did not identify any significant risks in relation to use of resources. We stated we would notify the Audit and Governance Committee of any changes to our risk assessment. We have no such changes to report and have not identified any significant risks during our updated risk assessment work.</p> <p>Our work performed during our on-going risk assessment process included a review of the Medium Term Financial Strategy (covering the period 2016/17 to 2020/21), the current year outturn and the Council's reserves position.</p> <p>The Council remains in a strong financial position due to its healthy reserve balances. Management have updated the Medium Term Financial Strategy (MTFS) since our initial risk assessment and the predicted revenue balance at the end of the period covered by the MTFS is expected to be £5.287m, which represents 41% of the Council's net budget requirement for 2020/21. This is significantly above the minimum 25% approved by members.</p> <p>We have assessed the Council's response to falling central government funding for local government through its exploitation of commercial opportunities and the Transformation Programme. The Langston Road Retail Park development is expected to provide the Council with a significant source of income once fully operational. There have been delays in the full opening of the Retail Park. The delays have had no significant financial impact on the Council and revenue estimates within the MTFS from the Shopping Park appear reasonable.</p> <p>In the prior year, the Council initiated its Transformation Programme. As part of this the Council commissioned an option appraisal around its Service Accommodation as the Council is presently occupying more office space than it requires for its current or future headcount. The service accommodation review demonstrates how the Council is forward thinking in relation its future service requirements and its ability to generate new income streams in an environment of falling central government funding. A detailed business case is being commissioned to quantify costs and savings from the reorganisation of the Council's estate.</p>	<p>As no significant risks have been identified no additional work has been performed.</p> <p>There are no matters to report.</p>

APPENDICES

APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit and Governance Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

ADJUSTED AUDIT DIFFERENCES

Our audit has not identified any material misstatements and there were no differences that have been corrected in the revised draft financial statements that affect the reported surplus for the year.

UNADJUSTED AUDIT DIFFERENCES

There are no unadjusted audit differences identified from our work to date.

APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	CONCLUSIONS FROM WORK	RECOMMENDATION	RECOMMENDATION MADE IN 15/16	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
ANNUAL REPORT AND ACCOUNTS						
RELATED PARTIES	We noted that five related party declarations had not been returned from councillors.	Require all Councillors to return their related party declarations including positively confirming no related party relationships.	NO	It is proposed to ask those members still to sign to do so at the next Full Council later this month.	Assistant Director of Resources	30/9/17
LATE DELIVERY OF WORKING PAPERS	We encountered difficulties in obtaining working papers for areas of our audit as these had not been prepared in advance of our onsite visit. These delays were most significant for the payroll information and listings for debtors and creditors to enable audit sampling.	Prepare key working papers and listings in advance of the auditors' onsite visit.	NO	It is proposed to have a meeting with BDO during October to assess the key papers required and make sure these are available from 1 June 2018	Principal Accountant	31/5/18

APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Materiality	£2,000,000	£1,900,000
Clearly trivial threshold	£40,000	£38,000

Planning materiality for the Council was based on 2% of the budgeted gross expenditure. We revised our materiality following receipt of the draft Financial Statements which indicated a higher level of gross expenditure than the budgeted gross expenditure.

The clearly trivial amount is based on 2% of the materiality level.

APPENDIX IV: INDEPENDENCE

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
Senior team members	Number of years involved
Zoe Thompson - Audit engagement lead	1
Nick Bernstein - Audit manager	1

We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

Other than the items identified above and in Appendix V, we have not identified any potential threats to our independence as auditors.

Should you have any comments or queries regarding this confirmation, we would welcome their discussion in more detail.

APPENDIX V: FEES SCHEDULE

	2016/17 FINAL PROPOSED £	2016/17 PLANNED £	2015/16 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee - scale	64,672	64,672	64,672	N/A
Certification fee for Housing benefits subsidy claim	18,533	18,533	18,533	N/A
TOTAL AUDIT AND CERTIFICATION FEES	83,205	83,205	83,205	
Audit related services:				
• Fee for limited assurance review of Pooling of Housing Capital Receipts return	2,000	TBC	2,000	N/A
Fees for other non-audit services	-	-	-	N/A
TOTAL ASSURANCE SERVICES	85,205	TBC	85,205	

APPENDIX VI: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER

16 The Havens
Ransomes Europark
Ipswich
Suffolk
IP3 9SJ

XX September 2017

Dear Sirs

Financial statements of Epping Forest District Council for the year ended 31 March 2017

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2017 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2017 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date, other than those which have already been disclosed in the 'Events after the reporting period' note to the financial statements, which either require changes to be made to the figures included in the financial statements or to be disclosed in the note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have made the results available to you.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that you are aware of that information

Yours faithfully

Robert Palmer

Director of Resources

XX September 2017

Councillor John Knapman

Chair of the Audit and Governance Committee

Signed on behalf of the Audit and Governance Committee

XX September 2017

FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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