



**Thurrock Council
Audit results report**

Year ended 31 March 2017



Private and Confidential

11 September 2017

Dear Standards and Audit Committee Members

We have substantially completed our audit of Thurrock Council (the Authority) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 30 September 2017.

We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

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

We would like to thank your staff for their help during the engagement. The finance team is well prepared for the earlier timetable for preparing and auditing the 2017/18 statement of accounts.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours sincerely

Suresh Patel
Executive Director

For and on behalf of Ernst & Young LLP
United Kingdom

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



01

Executive Summary



Executive Summary

Overview of the audit

Scope and materiality

In our Audit Plan presented to the Standards and Audit Committee meeting on 28 February 2017, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We planned our procedures using a materiality of £6.6 million for both Thurrock Council and the Group. We reassessed this using the actual results for the financial year, which has increased this amount to £7.6 million for the Council and the Group. The threshold for reporting audit differences has increased from £0.333 million to £0.380 million for both the Council and the Group. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed. In particular we have confirmed the figures for senior officer remuneration in full.
- ▶ Related party transactions. The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.
- ▶ Councillors' allowances. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

Status of the audit

We have substantially completed our audit of Thurrock Council's and the Group's financial statements for the year ended 31 March 2017. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- ▶ Receipt of the final signed financial statements and review of the final version;
- ▶ Completion of subsequent events review;
- ▶ Completion of Final Review Procedures by the Executive Director and Audit Manager;
- ▶ Receipt of the signed management representation letter; and
- ▶ Completion of Procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

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



Executive Summary

Status of the audit (continued)

We are yet to complete our work on the Whole of Government Accounts (WGA) return. The Authority has submitted the unaudited WGA return to HM Treasury and is currently updating the return for audit amendments, which will be provided to us for audit. We will perform the procedures required by the National Audit Office (NAO) regarding the WGA submission.

The audit certificate is issued to demonstrate that the full requirements of the NAO Code of Audit Practice (the Code) have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Audit differences

Our audit has identified misstatements which management have corrected, none of which we consider need to be brought to your attention. We have also identified a number of disclosure adjustments which have been corrected by management. These are set out in Section 4.

We have identified six audit differences where we have accepted as reasonable, management's rationale for not adjusting the financial statements. We ask that Committee consider the rationale and approve the detail which will be included in management's Letter of Representation. Details can be found in Section 4.

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Thurrock Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Standards and Audit Committee.



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. In our Audit Plan we identified a significant risk relating to Sustainable resource deployment and the pressures faced by the Authority from the economic downturn, a common risk for all local authorities.

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

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will update the Standards and Audit Committee should we have any matters to report.

We have no other matters to report.

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of key processes and the controls which are in place to detect or prevent error. Through this work, we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to highlight.





02 Areas of Audit Focus



Areas of Audit Focus

Audit issues and approach: Risk of Fraud in Revenue and Expenditure Recognition

Revenue Recognition

What are our conclusions?

Our testing has been completed and we have not identified any material misstatements from the incorrect capitalisation of expenditure items. This work is subject to final review and we will update the Standards and Audit Committee should any issues arise.

What is the risk?

Risk of fraud in revenue recognition

Under ISA (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this public sector this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by manipulating expenditure recognition.

In our view, as the Council's main sources of revenue are largely fixed and budgeted for, e.g. government grants and taxation, the revenue recognition risk exists largely in relation to the potential for the incorrect classification of revenue spend as capital.

 Significant Risk

What did we do?

We considered whether or not revenue spend had been appropriately capitalised by testing a sample of additions to property, plant and equipment to ensure these were correct to be included as assets on the balance sheet.



Areas of Audit Focus

Audit issues and approach: Management Override of Controls

Management override

What are our conclusions?

Our testing in this area is complete, but is subject to final review. From the work completed to date:

- ▶ We have not identified any material weaknesses in controls or evidence of material management override.
- ▶ We have not identified any material instances of inappropriate judgements being applied.
- ▶ We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

What is the risk?

Risk of management override

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

 Significant Risk

What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger (using our data analytics tool) and other adjustments made in preparing the financial statements;
- ▶ Reviewing significant accounting estimates (e.g. valuations of property, plant and equipment and pensions) for evidence of management bias including a review of the methodology used to calculate the estimates at the year-end; and
- ▶ Evaluating the business rationale for significant unusual transactions.

In undertaking our work on management override of controls we have considered the balances included in the Council's and Group's financial statements that are the most susceptible to judgement or estimation techniques. Due to their significance on the financial statements we have included these estimates as higher inherent risk in our audit strategy and include a separate section to report on this below. The key estimates we considered were:

- ▶ valuation of property, plant and equipment; and
- ▶ valuation of pension liabilities.



Areas of Audit Focus

Audit issues and approach: Management Override of Controls



Further details on procedures / work performed

In undertaking our work on management override of controls we have considered the balances included in the Authority's financial statements that are the most susceptible to judgement or estimation techniques. The key estimates we considered were:

- ▶ The valuation of Property, Plant and Equipment - due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.
- ▶ Valuation of pension liabilities - due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.

We note that due to the specific nature of local authority accounting, neither of the valuation areas above impact on the General Fund.

Specifically in relation to other liabilities we note that provisions are low risk as the majority relates to the non-domestic rates (NDR) appeals provision, for which the Council uses Wilkes Head & Eve to provide an early indication of the year end figure, then the Council uses their own data and data directly from the Valuation Office website to produce the year-end balance. The provision calculation is based on known appeals which have not yet concluded at 31 March and appeals which are expected to be lodged, based on historic information.

The remainder of the Authority's estimates, including bad debt provision and depreciation are also considered to be low risk.

No issues were noted in our work on provisions and estimates. We have included a separate section to report on valuations of property and pension below.



Areas of Audit Focus

Audit issues and approach: Preparation of group accounts

Group accounts

What are our conclusions?

Our work in this area is complete, but is subject to final review.

From the work completed to date:

- ▶ We have not identified any instances where the consolidation has not been carried out appropriately.
- ▶ We have not identified and material misstatements in material consolidated balances.
- ▶ Disclosures are in line with CIPFA Code of practice and associated guidance.

We will update the Standards and Audit Committee should any issues arise.

What is the risk?

Preparation of group accounts

For 2016/17 the Council has concluded that it needs to prepare group accounts, consolidating Gloriana Thurrock Ltd for the first time.

First time preparation of group accounts is a complex accounting procedure and increases the risk of material errors in the financial statements.

 Significant Risk

What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Reviewing the procedures performed by the finance team to ensure the subsidiary is consolidated appropriately;
- ▶ Testing the material balances consolidated within the Thurrock Council financial statements, and
- ▶ Reviewing the associated disclosures to ensure these are in line with CIPFA Code of practice and associated guidance.



Areas of Audit Focus

Audit issues and approach: Other financial statement risks

Property valuations

What are our conclusions?

Following full consideration of their work, we have placed reliance on the Council's internal valuer.

We identified two issues in relation to the valuation of the Council's Property, Plant and equipment, which are reported in a separate section below.

What is the risk?

At 31 March 2016 the value of property on the Council's balance sheet was over £800 million, representing almost 80% of the total assets.

To ensure assets are recorded at fair value, the Council adopts a rolling five year revaluation programme (i.e. 20% of assets are revalued each year). This is an exercise which involves judgement, input from external experts and leads to a material accounting estimate.

Accounting entries required from changes in asset valuations affect several primary statements and disclosures in the Council's financial statements.

What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Assessing the competence and capability of the valuer;
- ▶ Reviewing the figures produced for the revaluation of the assets for reasonableness;
- ▶ Reviewing the basis for valuation adopted by the Council for appropriateness;
- ▶ Agreeing the figures produced by the valuer for the revaluation of the assets to the asset register; and
- ▶ Testing the accounting treatment of changes in the valuation of property assets to ensure the financial statements are materially accurate and compliant with the CIPFA Code of practice.



Areas of Audit Focus

Audit issues and approach: Other financial statement risks (continued)

Pension valuations and disclosures

What are our conclusions?

Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable.

The sensitivities surrounding these assumptions have been correctly disclosed within the relevant notes to the financial statements.

However, we have one matter to report regarding the methodologies used by the actuary, which are reported in a separate section below.

What is the risk?

The Council is an admitted body to the Essex County Council Pension Fund. Barnett Waddingham are appointed as actuaries for this fund and provide the Council with the figures for the disclosures in the financial statements, based on payroll and pension data provided to them by the Council. The value of the pension liability is a significant balance sheet item (£159.5 million at 31 March 2016) and represents a material accounting estimate.

What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Assessing the competence and capability of the actuary and reviewing their work, including the assumptions used as the basis for producing for pensions figures;
- ▶ Requesting a programme of work be undertaken by the auditor of the Essex County Council Pension Fund;
- ▶ Agreeing the figures produced by the actuary in their actuarial valuation to the disclosures in the financial statements, and
- ▶ Testing the accounting treatment applied to the pension amounts to ensure the financial statements are materially accurate and compliant with the CIPFA Code of practice.



Areas of Audit Focus

Audit issues and approach: Other financial statement risks (continued)

Change to the Housing Rents and Housing Repairs System

What are our conclusions?

We have not identified any instances where the migration to the new system has led to material inaccuracies or incomplete data. Parameters have been entered correctly and review of reconciliations has provided assurance that all data is correct and has been fully migrated.

What is the risk?

The Council has implemented a new IT system (Northgate) for recording its housing rents and repairs transactions from October 2016.

The change in system increases the risk of misstatement in the financial statements due to the migration of data from the old system which could cause data to be lost or omitted.

Depending on the effectiveness of the Council's data migration arrangements we may be required to carry out additional audit procedures which could increase the audit fee.

What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Assessing the procedures performed by the Council to migrate the data to assess how management have gained assurance that data on the new system is complete and accurate;
- ▶ Checking that the parameters entered into the new system agree to those in the old system and that these parameters agree to those charges approved by the Council; and
- ▶ Reviewing reconciliations performed by the Council to ensure all data is correct and has fully migrated.



Areas of Audit Focus

Audit issues and approach: Other financial statement risks (continued)

Financial Statements Presentation

What are our conclusions?

Our work in this area is complete, but is subject to final review.

From the work completed to date:

- the disclosures were in line with the CIPFA Code;
- the general ledger has been re-mapped to reflect the Group's and the Council's organisational structure; and
- the restated comparative figures agreed to the Council's segmental analysis and supporting working papers.

We will update the Standards and Audit Committee should any issues arise.

What is the risk?

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

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The service analysis should be based on the organisational structure under which the Council operates. We expect this to reflect the Council's segmental analysis.

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

What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Reviewing the expenditure and funding analysis, the restated CIES and new notes to ensure disclosures are in line with the code of practice;
- ▶ Reviewing 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; and
- ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.



Areas of Audit Focus

Audit issues and approach: Reliance on experts

Reliance on experts highlighted in the Audit Plan

We identified two areas in our Audit Plan where we place reliance on experts.

In accordance with Auditing Standards, we have evaluated each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We have also considered the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. As part of this work we have performed the following procedures:

- ▶ Analysed source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assessed the reasonableness of the assumptions and methods used;
- ▶ Considered the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assessed whether the substance of the specialist's findings are properly reflected in the financial statements.

We set out our findings in relation to the two specialists we have relied on below.

Pension disclosures

We have assessed and are satisfied with the competency and objectivity of the Council's actuary, Barnett Waddingham. EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. We have noted that PwC as part of their central review have reported that the discount rate applied by Barnett Waddingham falls outside the top end of their expected range. Our EY pensions team agree with this view. Whilst we have sufficient assurance over the material accuracy of the Council's pensions disclosures, it is EY's opinion that the methodologies used by Barnett Waddingham to derive the discount rate and RPI inflation assumptions in their calculation of the Local Government Pension Scheme valuation may not be robust as they do not take adequate account of the specific duration of the scheme's liabilities. In future years, this could potentially lead to unacceptable assumptions.

Property valuations

We have assessed and are satisfied with the competency and objectivity of the Council's internal valuer.

We have undertaken appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Council's property, focusing in particular on specialist assets which are valued on a depreciated replacement costs basis.

Our work in this identified two misstatements:

- ▶ The incorrect Gross Internal Area (GIA) had been used to calculate the value of one property within Other Land and Buildings, the valuation is understated by £7.03 million.
- ▶ The index used for the valuation of Council Dwellings had been incorrectly calculated, the valuation is understated by £6.38 million.

We have therefore undertaken additional audit work to assess the potential impact of these issues. We have concluded that the overall valuation estimate is not unreasonable and has not resulted in a material misstatement of the value of Property, Plant and Equipment in the context of the overall Property, Plant and Equipment balance. Any change in valuation would not materially impact the decisions taken by the Council and there is no impact on the Council's General Fund Balance.



03 Audit Report



Proposed Audit Report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THURROCK COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Thurrock Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Related notes 1 to 42, and the Expenditure and Funding Analysis
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes 1 to 8, and
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Thurrock Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and IT and auditor

As explained more fully in the Statement of Responsibilities set out on page 19, the Director of Finance and IT is responsible for the preparation of the Statement of Accounts 2016/17, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.



Audit Report

Our opinion on the financial statements

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and IT; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Thurrock Council and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Our opinion on the financial statements

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether Thurrock 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 Thurrock Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

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



Audit Report

Our opinion on the financial statements

Certificate

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

Suresh Patel
for and on behalf of Ernst & Young LLP, Appointed Auditor
London
XX September 2017

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

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



04

Audit Differences



Audit Differences

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

Summary of adjusted and unadjusted differences

There are no corrected misstatements that we wish to bring to your attention. We have identified a number of disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you. We have identified six audit differences (the last two are projected misstatements based on extrapolations of sample testing) where **we have accepted as reasonable**, management's rationale for not correcting the financial statements. We summarise these items below. We have included all known amounts greater than £0.380 million. We ask that the Committee consider and approve management's rationale as included in the Letter of Representation:

1. £7.03 million understatement of Property, Plant & Equipment valuations due to incorrect Gross Internal Area (GIA) being used to calculate the value of one property within Other Land and Buildings. Corresponding understatement of unusable reserves (Revaluation Reserve), but **no impact on General Fund Balance**. *Management view this as not material to the accounts and have agreed to address this issue in 2017/18.*
2. £6.382 million understatement of Property, Plant & Equipment valuations due to incorrect calculation of the index used for the valuation of Council Dwellings. Corresponding understatement of unusable reserves (Revaluation Reserve), subject to any previous impairments, but **no impact on General Fund Balance**. *Management view this as not material to the accounts and the matter will be superseded by the full HRA valuation in 2017/18.*
3. £0.625 million overstatement of Property, Plant & Equipment additions due to an item of revenue expenditure funded from capital under statute (REFCUS) being incorrectly recorded as a capital addition. Corresponding understatement of REFCUS. **No impact on General Fund Balance**. *Management view this as not material to the accounts and management do not agree with our view on the classification of this expenditure between capital and revenue.*
4. £0.406 million overstatement of Property, Plant & Equipment additions due to an asset purchased in 2015/16 not being recorded until 2016/17. **No impact on General Fund Balance in either 2015/16 or 2016/17.**

Items 5 and 6 are projected misstatements based on our extrapolation of errors we identified in sample testing. As such, they reflect an indication of a potential error. ***Both items are not material and management have asserted that they will not adjust for potential errors.***

5. £1.574 million projected overstatement of revenue expenditure funded from capital under statute (REFCUS) due to one item of capital expenditure being incorrectly recorded as REFCUS. Corresponding understatement of Property, Plant & Equipment additions. The projected misstatement is based on the value of the error found (£77,952) within the sample tested (£324,289) as an approximation of the potential misstatement across the population of £6,549,018. **No impact on General Fund Balance.**
6. £0.627 million projected overstatement of creditor balances due to insufficient supporting documentation for three amounts in the sample. If the extrapolated creditors were reversed this could potentially increase the General Fund Balance. The projected misstatement is based on the value of the errors found (£35,298) within the sample tested (£1,747,928) as an approximation of the potential misstatement across the population of £31,066,303. **General Fund Balance is potentially understated.**



Audit Differences

Summary of adjusted and unadjusted differences (cont.)

Audit difference	Impact on General Fund Balance £m
1	Nil
2	Nil
3	Nil
4	Nil
5 (Note 1)	Nil
6 (Note 1)	-0.627
Net impact	-0.627

Note 1: Audit differences 5 & 6 are projected misstatements based on the results of our sample testing.

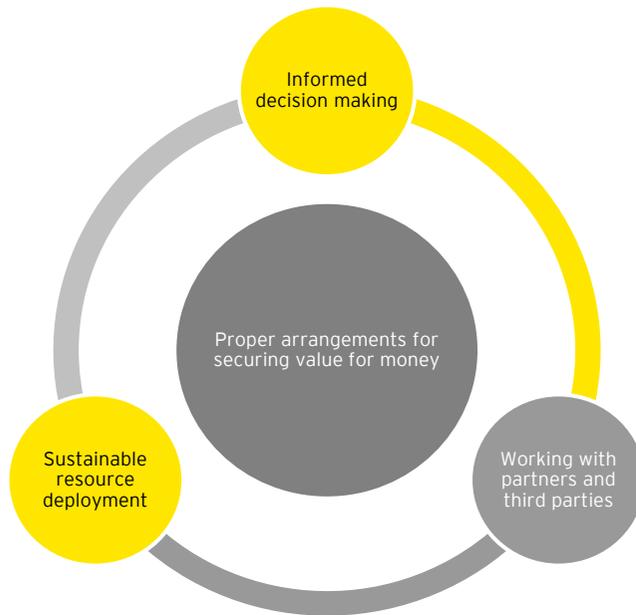
Then net impact of the audit differences, if they were to be adjusted, would be to increase the General Fund Balance by £0.627 million.



05 Value for Money



Value for Money



Economy, efficiency and effectiveness

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

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

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

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

Overall conclusion

In light of the national pressures on local government funding and in common with many other councils we identified one significant risk around these arrangements relating to deploying resources in a sustainable manner: pressures from the economic downturn.

In summary, the Council is facing up to the challenge of its future budget gaps, with a number of initiatives through its self-financing and commercial delivery programmes. Therefore, we conclude that appropriate arrangements are in place to manage this risk.



Value for Money

VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as: *“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risk identified in our Audit Plan.

What is the significant VFM risk?	What arrangements did this affect?	What are our findings?
<p>In common with the majority of the local government sector the Council faces significant financial challenges over the next three years. While the budget for 2017-18 has been balanced, the phasing of reductions in government support and pressures on costs mean that the gap is £5.6 million in 2018-19 and £2.2 million in 2019-20.</p> <p>Therefore, there is a significant budget gap over the medium term, for which the Council has identified a number of savings and actions. However, the scale of the budget gap is a significant risk to the value for money conclusion.</p> <p>In response to this risk our approach focussed on the following:</p> <ul style="list-style-type: none"> ▶ The adequacy of the Council’s process for identifying the savings and efficiency targets; ▶ The robustness of any underlying assumptions; ▶ The use of scenario planning; and ▶ The effectiveness of in year monitoring of progress against the savings and efficiency targets 	<p>Deploying resources in a sustainable manner</p>	<p>The Council recognises it faces unprecedented financial pressures and that a fundamental change is required to the way it operates in order to future-proof the Council’s operations. The Council has put in place a detailed strategy to address the budget gap through investment in diverse financial instruments, such as the Solar investment, and using the housing company, Gloriana, to provide affordable housing.</p> <p>We have completed testing on a sample of proposed savings, including reduced agency costs and spend on overtime. We have found that the implementation of savings plans are properly managed and monitored.</p> <p>The Council’s budget setting process is deemed to be robust, with sensibly prudent assumptions applied to uncertain income streams and future expenditure.</p> <p>The Council is aware of the risks related to reductions in government funding, including the New Homes Bonus (NHB). In response to this risk, sensible assumptions are made within the budget regarding the trajectory of government funding in general and the NHB specifically and the reserve levels set are reflective of this risk.</p> <p>The Council has built up a level of reserves that could be used to assist the transformation, if necessary, and could also be used to give the Council time to put in place alternative plans to achieve these savings.</p>



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 Thurrock Council Statement of Accounts 2016/17 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 found that the financial information within the Annual Report and published with the financial statements was consistent with the Annual Accounts.

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

Whole of Government Accounts

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

We are yet to complete our work on the Whole of Government Accounts (WGA) return. The Authority has submitted the unaudited WGA return to HM Treasury and is currently updating the return for audit amendments, which will be provided to us for audit. We will perform the procedures required by the National Audit Office (NAO) regarding the WGA submission.

Once completed we will report any matters arising to the Standards and Audit Committee.

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 reporting issues

Other matters

We have no matters to report in respect of the requirements under ISA (UK&I) 260 and other ISAs specifying that we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. These findings include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits.



07

Assessment of Control Environment



Assessment of Control Environment

Assessment of control environment

Financial controls

It is the responsibility of the Authority 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 Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08 Appendices



Appendix A

Required communications with the Standards and Audit Committee

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

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	February 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Any significant difficulties encountered during the audit ▶ Any significant matters arising from the audit that were discussed with management ▶ Written representations we have requested ▶ Expected modifications to the audit report ▶ Any other matters significant to overseeing the financial reporting process 	September 2017 Audit Results Report
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about Thurrock 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 ▶ Significant corrected misstatements, in writing 	September 2017 Audit Results Report



Appendix A

Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: <ul style="list-style-type: none"> (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility. 	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and/or regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> ▶ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements. 	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> ▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision. 	September 2017 Audit Results Report
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ We were unable to obtain relevant and reliable audit evidence from other procedures. 	At the time of writing this report we are awaiting some external confirmations in relation to borrowings. We will provide you with an update at the Standards and Audit Committee on 21 September 2017.



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and/or regulations	<ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on “tipping off” ▶ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee. 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	September 2017 Audit Results Report
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the group audit team’s planned involvement in the component auditors’ work on the financial information of significant components ▶ Instances where the group audit team’s evaluation of a component auditor’s work of gave rise to a concern about its quality Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group or component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements. 	February 2017 Audit Plan September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information on the firm’s general policies and processes for maintaining objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards.</p>	February 2017 Audit Plan September 2017 Audit Results Report

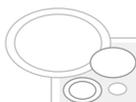


Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	February 2017 Audit Plan September 2017 Audit Results Report
Certification work	Summary of certification work	Certification Report



Independence



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report presented to the Standards and Audit Committee meeting on 28 February 2017.

We complied with the APB Ethical Standards and the requirements of the Public Sector Audit Appointment's (PSAA) 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 Standards and 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 Standards and Audit Committee on 21 September 2017.

We confirm we have undertaken non-audit work outside the PSAA Code requirements in relation to our work on the 2015/16 Teachers Pension return, the 2015/16 Pooled Capital Receipts and advisory work with Xantura on development of the Children's Safeguarding Profiling Model, which were completed during the 2016/17 financial year. We have adopted the necessary safeguards in our completion of this work.

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

We confirm that we have undertaken non-audit work outside the PSAA Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016. We will confirm our final fees following completion of our audit and non-audit work and report this in the Annual Audit Letter.

	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee - Code work (see note 1)	141,723	133,723	133,723
Total audit fee - Non code work (see note 2)	TBC	n/a	38,575

Note 1: Our actual fee is higher than the scale fee set by the Public Sector Audit Appointments (PSAA Ltd) as a result of additional procedures we undertook on the Council's group accounts and the £4,000 additional fee we outlined in the February 2017 Audit Plan. In addition we have been required to use a specialist to review the Council's proposed changes to how it calculates the minimum revenue provision. We have agreed with the Director of Finance & IT an additional fee of £4,000 for this additional work. These additional fees are subject to agreement with PSAA.

Note 2: The fee for non-audit work will be discussed with management and reported to the Standards and Audit Committee in subsequent reporting once the scope of work has been agreed for 2016/17. This work relates to the agreed upon procedures certification arrangements for the Teachers' Pension grant return and Pooled Capital Receipts.



Appendix C

Accounting and regulatory update

Accounting update

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

Name	Summary of key measures 	Impact on Thurrock Council 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured ▶ How the impairment of financial assets are calculated ▶ Financial hedge accounting ▶ The disclosure requirements for financial assets. <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items
<i>IFRS 15 Revenue from Contracts with Customers</i>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ for local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.</p>	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> ▶ Disaggregate revenue into appropriate categories ▶ Identify relevant performance obligations and allocate income to each ▶ Summarise significant judgements



Appendix C

Name	Summary of key measures 	Impact on Thurrock Council 
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council is reviewing and amending the closedown process to achieve draft accounts production by 31 May for 2017/18.</p> <p>We have already commenced discussions with management on the early closedown process and locally we are agreeing with management those areas for early work, which will include testing of major income and expenditure streams during the financial year.</p>



Appendix D

Request for a Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

Suresh Patel
Ernst & Young
1 More London Place
London
SE1 2AF

September 2017

Dear Suresh,

This letter of representations is provided in connection with your audit of the consolidated and council financial statements of Thurrock Council ("the Group and Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Thurrock Council as of 31 March 2017 and of its financial performance and its cash flows for the year then ended in accordance with, for the Group and Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our consolidated and council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, 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, for the Group and Council, the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.



Appendix D

Request for a Management representation letter

Management Rep Letter (cont.)

2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 for the Group and for the Council that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council 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. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group or Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or council financial statements or otherwise affect the financial reporting of the Group or Council.



Appendix D

Request for a Management representation letter

Management Rep Letter (cont.)

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
3. We have made available to you all minutes of the meetings of the Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 21 September 2017.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and 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 year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council 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 Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.



Appendix D

Request for a Management representation letter

Management Rep Letter (cont.)

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and council 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.

F. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

H. Expenditure Funding Analysis

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



Appendix D

Request for a Management representation letter

Management Rep Letter (cont.)

I. Other information

1. We acknowledge our responsibility for the preparation of the other information, the Narrative Report and the Annual Governance Statement
2. We confirm that the content contained within the other information is consistent with the financial statements.

J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheets.
2. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

K. Reserves

1. We have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

L. Contingent Liabilities

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



Appendix D

Request for a Management representation letter

Management Rep Letter (cont.)

M. Purchase and Sales Commitments and Sales Terms

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the financial statements.
2. At the 31 March 2017, the Authority had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Authority (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).

N. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the measurement and valuation of Property and the Pension Fund and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

O. Accounting Estimates (property, plant and equipment and pensions valuations)

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 2016/17.
2. We confirm that the significant assumptions used in making the estimates for property, plant and equipment and pensions appropriately reflect our intent and ability to carry out providing services on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.



Appendix D

Request for a Management representation letter

Management Rep Letter (cont.)

P. 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 sincerely,

(Director of Finance and IT)

(Chairman of the Standards and Audit Committee)

EY | Assurance | Tax | Transactions | Advisory

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