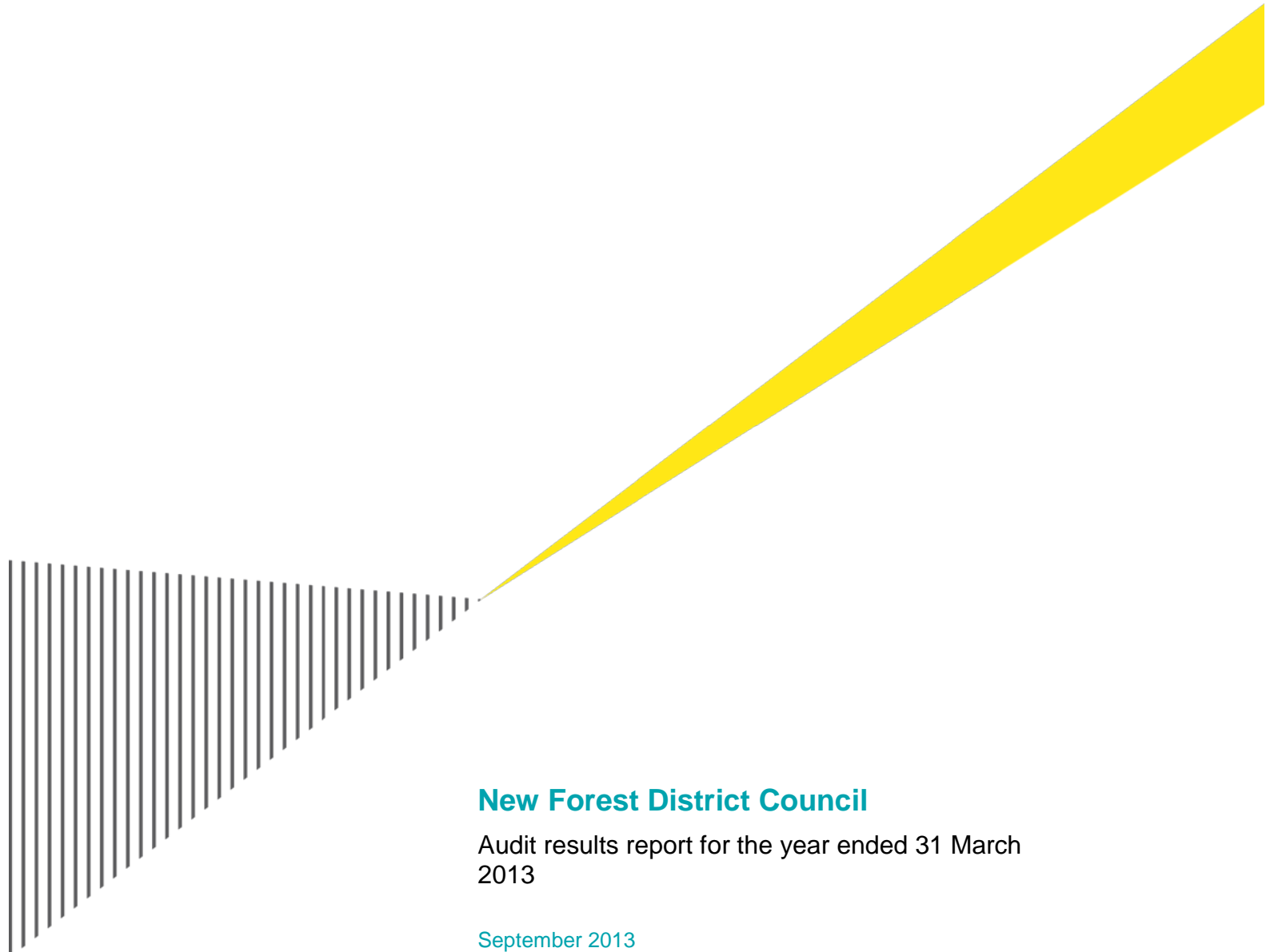


A



New Forest District Council

Audit results report for the year ended 31 March
2013

September 2013

Ernst & Young LLP

Private and confidential

Mr A O'Sullivan
Chair of the Audit Committee
New Forest District Council
Appletree Court
Beaulieu Road
Lyndhurst
SO43 7PA

20 September 2013

Dear Mr O'Sullivan

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the Authority's financial position and results of operations for 2012/13.

The audit is designed to express an opinion on the 2012/13 financial statements, reach a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Authority's accounting policies and judgments and material internal control findings.

This report is intended solely for the information and use of the Audit Committee and the Authority. It is not intended to be and should not be used by anyone other than these specified parties.

A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you at the audit committee meeting scheduled on 20 September 2013.

Yours sincerely
For and on behalf of Ernst & Young LLP

Helen Thompson
Ernst & Young LLP
United Kingdom
Enc.

Contents

1. Overview of the financial statement audit	1
2. Scope update	3
3. Significant findings from the financial statement audit	4
4. Economy, efficiency and effectiveness	6
5. Control themes and observations	8
6. Status of our work.....	9
7. Fees update	10
8. Summary of audit differences.....	11
9. Independence confirmation: update	12
Appendix A Required communications with the Audit Committee	13
Appendix B Letter of representation	15

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview of the financial statement audit

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

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Financial statements

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified opinion on the Authority's financial statements. Our main findings in relation to the areas of risk/areas of audit emphasis included in our Audit Plan are set out below.

Significant risks:

We identified no significant risks in our Audit Plan

Other financial statement risks:

Bank reconciliations: Audit findings and conclusions

- ▶ The bank reconciliation process was found to be cumbersome and difficult to follow, and the reconciliations (to December 2012) included large numbers of reconciling items.

Audit finding – during the final accounts audit we found reconciliations to be up to date and the majority of reconciling items to have been satisfactorily cleared.

General ledger (GL) – aged debtor reconciliation: Audit findings and conclusions

- ▶ As reported in the 2011/12 Annual Governance Report the aged debt analysis totalled £115,000 less than the GL balance. By February 2013 this had increased to £331,000.

Audit finding – As at 31 March 2013 this balance had been reduced to £3,000 which is below the level that requires reporting.

Treasury management: Audit findings and conclusions

- ▶ Treasury management transactions are posted to the general ledger after the investments have been made; the delay can be up to two weeks. This creates a potential cut off risk across accounting years (this is a year-end risk only). However, it is unlikely that this would lead to material misstatement because any unrecorded transactions would appear on the bank reconciliation.

Audit Finding – all treasury management transactions were found to be accounted for in the correct period.

Other reconciliations: Audit findings and conclusions

- ▶ Our review of accountancy reconciliations as at 1 March 2013 identified that the following were not up to date (prepared and reviewed) – Council Tax cash, National non domestic rates (NNDR) refunds, NNDR cash and rents.

Audit Finding – all reconciliations were found to be up to date and reviewed as at 31 March 2013.

Valuations: Audit findings and conclusions

- ▶ Councils must value plant, property and equipment (PPE) at fair value (with some exceptions). The Authority appointed new valuers to value its corporate and housing assets in 2012/13. At the time of issuing our 2012/13 Audit Plan, we received confirmation of the appointment and the contract terms but we did not have sufficient assurance over your valuation arrangements.

Audit Finding – audit procedures provided assurance over valuation arrangements and PPE balances were found to be materially correct.

Risk of misstatement due to fraud and error: Audit findings and conclusions

- ▶ There is a generic risk within all public sector bodies of misstatement due to fraud and/or error.

Audit Finding – our audit procedures found no evidence of misstatement due to fraud and/or error.

More detail on the above matters has been included at section 3 of this report, as well as details of other non-significant risks identified during the course of the audit.

Economy, efficiency and effectiveness

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified value for money conclusion.

Whole of Government accounts

We have completed the work required to issue our report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts. We have no issues to report.

Control themes and observations

Our audit identified no significant control issues that require bringing to your attention.

Summary of audit differences

We found no misstatements in the accounts presented for audit that we need to report to you.

2. Scope update

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan that we issued on 6 March 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Our work comprises a number of elements. In our Audit Plan, we provided you with an overview of our audit scope and approach for the audit of the financial statements, our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and the work that we are required to perform in respect of the Whole of Government Accounts return.

We carried out our work in accordance with our Audit Plan.

3. Significant findings from the financial statement audit

In this section of our report, we outline the main findings from our audit of your financial statements, including our conclusions in relation to the areas of risk/areas of audit emphasis outlined in our Audit Plan and identified during the course of the audit. It also elaborates on the overview provided in section 1 of this report. We identified no significant audit risks during the audit year and the other risks identified were all addressed through existing audit procedures.

Other financial statement risks	Audit finding
Bank reconciliations	
<p>The Authority transferred its bank account from Lloyds TSB to the Co-operative Bank at the start of 2012/13. The Lloyds TSB account was kept open so that it could continue to receive monies from customers unaware of the change. As a result, the bank reconciliation process proved more difficult than normal.</p> <p>The bank reconciliations to December 2012 included a large number of reconciling items caused through the inconsistent banking and posting of transactions. This occurred where transactions were paid into one bank account but posted to the cost centre of the other bank account.</p>	<ul style="list-style-type: none"> ▶ audit testing found that year end bank reconciliations had been adequately prepared and reconciling items had been cleared. <p>There are no issues to report.</p>
General ledger/Aged debtors reconciliation	
<p>As reported in the Audit Commission's 2011/12 Annual Governance Report, as at 31 March 2012, the Authority's aged debt analysis (from the accounts receivable module of Agresso) totalled approximately £115,000 less than the debtors balance in Agresso. Despite investigation, at the date of the Audit Plan, the difference had increased to £331,000. This issue was also reported by internal audit.</p>	<ul style="list-style-type: none"> ▶ audit testing found the difference had reduced to £3,000 as at 31 March 2013. <p>There are no issues to report</p>
Treasury management – year end cut off risk	
<p>Treasury management transactions are posted to the general ledger after the investments have been made; the delay can be up to two weeks. This creates a cut off risk across accounting years (this is a year-end risk only). However, the risk is not significant because any such transactions would show up as reconciling items in the year end bank reconciliation.</p>	<ul style="list-style-type: none"> ▶ our audit of year end investment balances found all transactions had been recorded in the correct period. <p>There are no issues to report.</p>
Other reconciliations	
<p>Our review of accountancy reconciliations as at the date of the Audit Plan (1 March 2013) identified that the following reconciliations were not up to date (prepared and reviewed):</p> <ul style="list-style-type: none"> - Council Tax cash – 1 month behind - NNDR refunds – 3 months behind - NNDR cash – 3 months behind - Rents – up to date but not reviewed 	<ul style="list-style-type: none"> ▶ we found all reconciliations to be up-to-date and (prepared and reviewed) at year end. <p>There are no issues to report</p>
Valuations – Corporate and housing assets	
<p>Councils must value plant, property and equipment (PPE) at fair value (with some exceptions). The Authority appointed new valuers to value its corporate and housing assets in 2012/13. At the date of the 2012/13 Audit Plan, we had received confirmation of the appointment and the contract terms but did not have sufficient assurance over your valuation arrangements.</p>	<ul style="list-style-type: none"> ▶ through audit procedures we were able to rely upon the work produced by the valuer; and ▶ we reviewed the PPE disclosures and substantively tested the balances. We found these to be materially correct and in agreement with the valuer's report <p>There are no issues to report.</p>

Risk of misstatement due to fraud and error

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

This risk is generic to all public sector bodies and there is nothing to indicate that the risk is any higher at the New Forest District Council than any of its peer bodies.

- ▶ we identified potential fraud risks during the planning stages and found no significant risks;
- ▶ we inquired of management and internal audit about risks of fraud and the controls put in place to address those risks, and no significant risks were identified;
- ▶ we gained an understanding of the oversight given by those charged with governance of management's processes over fraud;
- ▶ we considered the effectiveness of management's controls designed to address the risk of fraud and found no significant weaknesses; and
- ▶ we performed mandatory substantive audit procedures and tests and found no indication of fraud.

There are no issues to report.

The following non-significant issues were identified during the course of the audit.

Other issues	Audit finding
--------------	---------------

Fixed asset register

The fixed asset register was not reconciled to the general ledger at year end because the register was not updated to account for the effects of a material change in accounting policy. The risk was that there may have been omissions or errors between the two systems.

- ▶ the asset register remained unreconciled to the ledger at year end. However, we obtained adequate assurance that asset balances were materially correct through substantively testing in-year movements so we have nothing to report in the context of the financial statement audit. However, the Authority should prioritise this reconciliation to ensure that asset balances are correct in both the general ledger and fixed asset system to reduce the risk of error, omission or duplication.

Business Rates – Voids

Business rates (NNDR) void transactions are correctly calculated and supported with client evidence but there is no evidence that the empty properties have been verified with an inspection. This indicates a weakness in the Council's arrangements and could potentially lead to financial misstatement. However, given the way that NNDR is financed this will not directly impact on the Authority's financial position nor can it lead to a material misstatement within the accounts.

- ▶ as part of the year end audit we substantively tested NNDR balances in the Collection Fund and found no issues with void transactions; and
- ▶ we will complete certification of the NNDR grant return prior to the 27 September 2013 deadline, which will provide extra support.

There are no issues to report.

Change of accounting policy

The threshold at which the Authority capitalises individual PPE (Property, Plant and Equipment) assets was raised from £500 to £10,000 which resulted in a £2.4 million charge to the Comprehensive Income and Expenditure Statement in 2012/13. Changes in accounting policies are applied retrospectively (i.e. they require a prior period adjustment) unless a body can demonstrate that it is impractical to do so.

- ▶ the Authority demonstrated why it would be impractical to carry out a prior period adjustment and disclosed its reasoning in the financial statements. This was found to be acceptable under the relevant accounting standards.

There are no issues to report.

4. Economy, efficiency and effectiveness

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

- ▶ Arrangements for securing financial resilience – whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We identified no significant risks in our audit plan. However, we did identify a number of areas that we would consider and our comments against these are set out below.

Value for Money (VFM) risks	Audit finding
Financial resilience 1	
The Authority has been reviewing its risk management arrangements during 2012/13 and was expecting to approve a revised strategy and corporate risk register in the first half of 2013/14. The content and format of these key documents was unconfirmed at the date of our audit. The Authority needs to ensure the documents presented to Cabinet and the Audit Committee are sufficiently detailed, and fit for their respective purposes.	<p>The updated Risk Management Strategy and Strategic Risk Register were approved by Cabinet on 4 September 2013.</p> <p>There are no issues to report.</p>
Financial resilience 2	
In April 2013 Cabinet approved a loan of £3.24 million to Lymington Harbour Commissioners for the repair and upkeep of Lymington harbour. This loan is to be taken by the Authority from the Public Works Loan Board (PWLB) and loaned to the Commissioners, to be repaid over 10 years. The Authority has fully appraised the legality of the transaction with no issues.	<p>As at the date of this report the PWLB has yet to be approached and this potential transaction has been disclosed as a 'non-adjusting post balance sheet event' in the financial statements.</p> <p>There are no issues to report.</p>
Financial resilience 3	
As part of the value for money audit we reviewed 2013/14 budget setting and medium term financial planning arrangements, including the assumptions made in response to the 2013/14 and provisional 2014/15 settlements.	We found that budget setting arrangements are effective up to 2013/14. However, the medium term financial plan does not yet go beyond 31 March 2015 at a detailed level. Good practice suggests that medium term financial plans should cover between 3 and 5 years. The authority should develop a plan that covers at least three years forward from the current year.
Financial resilience 4	
As part of the VFM audit we reviewed the Authority's implementation of its housing strategy and the strategy updates as at March 2013, specifically: <ul style="list-style-type: none"> • North Milton refurbishment programme; • Increase in affordable housing; and • Updated tenancy and allocation policies. 	<p>We reviewed the Authority's implementation policies and found them to be adequate.</p> <p>There are no issues to report.</p>

Economy, efficiency and effectiveness 1

We examined the value for money profiles for the Authority and compared them with the profiles of other district councils in order to identify trends in performance and spend that may indicate additional VFM and audit risks (i.e. spend per head, average spend on leisure per head, etc).

The Authority continues to show a reduction in overall spend and in each service area. Expenditure on culture and leisure remains high compared to other similar district councils. The Authority is aware of this and this is in line with your stated priorities.

There are no issues to report.

5. Control themes and observations

As part of our work, 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 of internal control we are required to communicate to you significant deficiencies in internal control.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

5.1 Current year observations

No significant control issues were identified.

5.2 Challenges for the coming year

We have identified one operation decision that potentially constitutes a risk to the financial statements in 2013/14 and one risk inherent to all public sector bodies.

Description	Impact
The Authority has approved a loan of £3.24 million from the PWLB (Public Works Loan Board) to be loaned on to the Lymington Harbour Commissioners, and repaid over 10 years. At the date of this report the Authority has not yet applied for the loan but it has been approved by Cabinet.	The Authority has carried out a full financial appraisal but there is a risk that the loanee could default on repayments leaving the Authority with the liability in its financial statements.

6. Status of our work

6.1 Financial statement audit

Our audit work in respect of our opinion on the Authority's financial statements is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Letter of representation	To be tabled at the Audit Committee on 20 September 2013.	Management and Audit Committee

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the Authority's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

6.2 Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete.

We expect to present an unqualified value for money conclusion in regard to the Authority's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

6.3 Objections

As at the date of this report, we have received no objections to the 2012/13 accounts from members of the public.

7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £'000	Planned fee 2012/13 £'000	Scale fee 2012/13 £'000
Total Audit Fee – Code work	73,076	73,076	73,076
Certification of claims and returns	8,700*	8,700	8,700
Non-audit work (provide details)	Nil	Nil	-

Our actual fee is in line with the agreed fee.

Fees for the auditor's consideration of correspondence from the public and formal objections are charged in addition to the scale fee.

**Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance in January 2014 within the Audit Certification Report for 2012/13.*

8. Summary of audit differences

In the normal course of any audit, we identify differences between amounts we believe should be recorded in the financial statements and amounts actually recorded. These differences are classified as either '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.

We report to you all uncorrected amounts greater than £117,000 and all corrected amounts above £1,758,000 relating to New Forest District Council in our summary of misstatements. However, we found no such amounts during the course of the audit and we express our thanks to the Finance team for producing a materially correct set of financial statements.

There were no uncorrected misstatements.

There are no amounts that we identified that are individually, or in aggregate, material to the presentation and disclosures of the financial statements for the year ended 31 March 2013.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since confirmation in our Audit Plan dated 6 March 2013. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and 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 that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 20 September 2013.

Appendix A Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit results report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit results report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report, as applicable
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report, as applicable
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report, as applicable

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report, as applicable
<p>Independence</p> <p>Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and update in section 8 of this report
<p>Going concern</p> <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 	Audit results report, as applicable
<p>Significant deficiencies in internal controls identified during the audit</p>	Audit results report, as applicable
<p>Opening Balances</p> <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance of initial audits 	Audit results report, as applicable
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	Audit Plan and Audit results report
<p>Summary of certification work undertaken</p> <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	Annual Certification Report – to be issued January 2014

Appendix B Letter of representation

New Forest District Council

Appletree Court
Beaulieu Road
Lyndhurst
SO43 7PA

This representation letter is provided in connection with your audit of the financial statements of New Forest District Council (“the Authority”) for the year ended 31 March 2013. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of New Forest District Council as of 31 March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 Accounts.

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

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

A: Financial statements and financial records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 Accounts.
2. We acknowledge our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and of its expenditure and income of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 that are free from material misstatement, whether due to fraud or error.
5. There were no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Fraud

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

C. Compliance with laws and regulations

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

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Authority, 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 10 June 2013.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the notes to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

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

G. Accounting Estimates

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

H. Retirement Benefits

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

I. Going Concern

1. The financial statements disclose all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

Yours Faithfully,

Finance Director

I confirm that this letter has been discussed and agreed at the Audit Committee on 20 September 2013

Chairman, Audit Committee

Ernst & Young LLP

Assurance | Tax | Transaction | Advisory

www.ey.com/uk

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© Ernst & Young LLP 2013. Published in the UK.
All rights reserved.