

**East Hertfordshire District  
Council  
Audit results report**

Year ended 31 March 2019

11 November 2019

Essential Reference Paper "C"

11 November 2019



Dear Performance, Audit and Governance Oversight Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Performance, Audit and Governance Oversight Committee. This report summarises our preliminary audit conclusion in relation to the audit of East Hertfordshire District Council (the Authority) for 2018/19.

We have substantially completed our audit of the Authority for the year ended 31 March 2019.

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 4 of this report. 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 Performance, Audit and Governance Oversight Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

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

We welcome the opportunity to discuss the contents of this report with you at the Performance, Audit and Governance Oversight Committee meeting on 19 November 2019.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. Patel', written in a cursive style.

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

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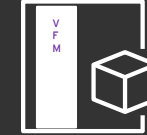
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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)). This 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 April 2018)' issued by 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 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.





# 01 Executive Summary

# Executive Summary

## Scope update

In our Audit Plan we presented at the 12 March 2019 Performance, Audit and Governance Committee (the Committee) meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan but made a change to materiality using the draft financial statements. Overall materiality is £1.566 million (Audit Plan – £1.548 million), which results in updated performance materiality, at 75% of overall materiality, of £1.175 million. The updated threshold for reporting misstatements is £0.078 million.

## Status of the audit

In May we reported to the Committee that due to our resourcing issues we needed to reschedule the audit of the Council's accounts until after the end of July. We subsequently agreed with the Chief Financial Officer an October start date so that we could report a completed position to the 19 November Committee meeting. As at 11 November our audit is in progress and we are currently performing the procedures we outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise. We are currently completing:

• Debtors and Creditors testing	• Audit review procedures
• Final procedures on the value for money conclusion	• Review of the Council's assessment of the impact of IFRS 9

Once we have completed the above procedures we will be:

- Requesting and then reviewing the final version of the financial statements;
- Completing a subsequent events review;
- Requesting and then reviewing the management representation letter; and
- Completing our final review procedures.

We will update the Committee on progress of these items at the meeting on the 19 November 2019.

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

## Executive Summary

### Status of the audit (continued)

In addition to the previous page, the Council has had to respond to a national issue which has required a late and pervasive change to the accounts and related IAS19 Pensions liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. Since the 31 March year-end there has been additional evidence, including a legal ruling by the Supreme Court which rejected the Government's appeal, and suggested that the associated liabilities to the ruling should in fact be able to be fully calculated and so included within the financial statements of admitted bodies. In addition, there has been some movement on the Guaranteed Minimum Pension ruling and some updates to the investment valuations, which have also had an impact on the pension liability.

In summary, the changes have increased the past service costs and in turn the pensions liability figure by approximately £0.928 million.

### Audit differences

There are currently no unadjusted audit differences arising from our audit.

There are currently no adjusted audit differences to the primary statements with the exception of the above change in respect of the McCloud ruling. We have identified a limited number of disclosure adjustments, none of which we deem so significant as to merit bringing to your attention. Further details can be found in Section 4 Audit Differences.

Until our work is complete, further amendments may arise. We will update the Finance, Resources, Audit and Governance Committee should any further adjustments arise from our remaining work.

### Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of East Hertfordshire District 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 "Areas of Audit Focus"; section 2 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 Committee.

# Executive Summary

## Areas of audit focus

Our audit plan identified key areas of focus for our audit of the Authority's financial statements. In total we have identified two significant risks and four other areas of audit focus. We summarise below our latest findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure	We have completed our testing and found no indications that revenue expenditure has been inappropriately charged to capital
New General Ledger System	We need to complete our review of the work done but to date have not identified any issues with the balances brought over on 1 April 2019.

Other area of audit focus	Findings & conclusions
Property, Plant and Equipment Valuations	We need to review the work completed but to date have identified no issues to report.
Pension Valuation and Disclosures	We have completed our testing and agreed an audit adjustment of £0.928 million increase to the pension liability due to the changes for McCloud, GMP and investment valuations.
Business Rates Appeals Provision	We have completed our testing of the business rates appeal provision and have not identified any issues with the calculation of the liability. The work is subject to final review.
Implementation of new accounting standards	We have considered management's impact assessment for IFRS 15 and 16 and are satisfied that the Authority has implemented the new standards appropriately. Our work on IFRS 9 remains in progress.

This report sets out our observations and conclusions on the above matters, and any others identified, in the "Areas of Audit Focus" 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; and
- ▶ You agree with the resolution of the issues; 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 your attention.



## Executive Summary

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### Control observations

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

### Value for money

We are still completing our procedures on your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. Our audit planning procedures identified one significant risk in relation to the development of Old River Lane. We will provide details of our completed procedures to the November Committee meeting.

### 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 performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. The Authority is below the testing threshold set by the NAO for detailed procedures on the consolidation return, we therefore did not have any issues to report.

### Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Correspondence from the Public

We have not received any correspondence from members of the public. We did not receive any formal objections or questions from members of the public.





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## Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure

##### What is the risk?

The Authority is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

In 2017/18 the Authority incurred £2.389 million capital expenditure and plans to incur £6.578 million in 2018/19.

##### What judgements are we focused on?

We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We have focused on the Authority's judgement that an item is capital expenditure in nature.

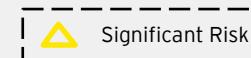
##### What did we do?

Our approach focused on:

- ▶ Sample testing additions to property, plant and equipment to ensure that they had been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and
- ▶ Using our data analytics tool to identify and test journal entries that moved expenditure into capital codes.

##### What are our conclusions?

- ▶ Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value.
- ▶ Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified.
- ▶ Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



## Significant risk

### New General Ledger System

#### What is the risk?

The Authority implemented a new general ledger system during the period. The new Advanced E5 ledger replaced the Civica Financial system on 1 April 2018.

The general ledger system is the key financial system used by the Authority. The system processes and maintains records relating to income and expenditure transactions, records balances held by the Authority and is used to prepare the financial statements.

Any errors in the transfer or input of data or in the calculations performed by the new system could result in a material misstatement in the financial statements.

#### What judgements are we focused on?

We have identified a specific risk of misstatements due to the implementation of the new general ledger system.

We have focused on the Authority's processes and controls in implementing the new system and whether the opening balances for 2018-19 have been correctly recorded.

#### What did we do?

Our approach focused on:

- Reviewing the migration of data from the old system onto the new system, relying on work completed by internal audit where possible;
- Using IT specialists to perform detailed testing over the new system, and perform a high level overview of the controls and data migration;
- Reviewing the reproduction of the 2017/18 financial statements using the new system to ensure that the structure of the financial mapping is consistent with the old system; and
- Perform year-on-year analytical procedures to determine whether any accounts or balances have unexpectedly moved by a material amount.

#### What are our conclusions?

- ▶ We did not identify any issues with the migration of the 2017/18 opening balances for balance sheet codes.
- ▶ We did not identify any issues with the mapping of the new general ledger codes.
- ▶ Our year-on-year analytical procedures did not identify any unexpected variances which might indicate material misstatements in the coding structure of the new system.

Please note that we are still currently concluding our work in this area.





## Areas of Audit Focus



### Other Areas of Audit Focus - Valuation of Other Land and Buildings and Investment Properties

The fair value of Property, Plant and Equipment (PPE) (£60.7 million) and Investment Properties (IP) (£13.6 million) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Authority engages an internal expert valuer who applies a number of complex assumptions. Annually, PPE assets are assessed to identify whether there is any indication of impairment (i.e. a reduction in their carrying value).

As the Authority's asset base is significant, and the outputs from the valuer are subjective, there is a risk that the fair value of PPE may be under or overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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

Our approach has focused on:

- ▶ Considering the work performed by the Authority's internal valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Reviewing and sample testing the key asset information provided by the Authority to the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre, leasing agreements for the estimated rental income);
- ▶ Reviewing and sample testing the key assumptions used by the valuers in performing their valuation, by cross referencing to available market data for similar properties within the region (e.g. value of developed and undeveloped land)
- ▶ Considering the annual cycle of valuations to ensure that assets have been valued within a five year rolling programme as required by the Code. We have also considered whether any specific changes to assets (which would impact its value) have been communicated to the valuer;
- ▶ Performing a reasonableness review on the valuation of assets not included in the 2018/19 valuation cycle. This is performed to confirm that the remaining asset base is not materially misstated;
- ▶ Considering changes to useful economic lives as a result of the most recent valuation;
- ▶ Considering whether asset categories held at cost have been assessed for impairment and are materially correct; and
- ▶ Testing that the accounting entries have been correctly processed in the financial statements, including the treatment of impairments.

Our audit procedures above have not identified any material differences in the financial statements.



## Areas of Audit Focus



### Other Areas of Audit Focus - Business Rates Appeals Provision

Billing Authorities such as East Hertfordshire District Council are required to account for NDR on a full accrual basis. This requires Billing Authorities to consider establishing a provision under IAS 37 in respect of the potential adverse impact of successful appeals against valuations.

The appeals provision for East Hertfordshire District Council is material in 2018/19 at £3.6 million (2017/18 £3.6 million). We therefore raised this other area of audit focus in our 2018/19 audit planning report.

The calculation of the appeal provision is an estimation which requires management to make judgements around the potential future liability of the Authority. This includes assessing the historic level of successful appeals and estimating the number of future claims and their value. We therefore deem this to be a higher risk estimate due to its size and complexity.

Our approach has focused on:

- ▶ Reviewing the Authority's methodology underpinning the provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37;
- ▶ Considering the work performed by the Authority's external specialist, Analyse Local, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Ensuring the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed; and
- ▶ Reviewing the completeness of the provision.

Our audit procedures above have not identified any material differences in the financial statements.





## Areas of Audit Focus



### Other Areas of Audit Focus - Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hertfordshire County Council. The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2019 this totalled £33.6 million (£29.4 million at 31 March 2018).

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

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- ▶ Liaising with the auditors of Hertfordshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to East Hertfordshire District Council;
- ▶ Assessing the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

In addition, there has been a national issue in relation to IAS19 pension fund liability disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling.

Since the year-end there has been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has led to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes. The Guaranteed Minimum Pension ruling has also had an impact on the pension liability.

As per previous years the Authority has also been provided with an update for the pension fund investment values and these have been reflected in the final audited statement of accounts.

In summary, the changes have increased the past service costs and in turn the pensions liability figure by approximately £0.928 million.



## Areas of Audit Focus



### Other Areas of Audit Focus - New accounting standards

The Code requires the Authority to comply with the requirements of two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:

- ▶ IFRS 9 - Financial instruments
- ▶ IFRS 15 - Revenue from contracts
- ▶ IFRS 16 - Leases

There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

Standard	Audit Findings
IFRS 9 - Financial Instruments	Our audit procedures for financial instruments identified that there were some disclosure amendments required in the statement of accounts. We are currently still concluding our work in this area.
IFRS 15 - Revenue from Contracts	Our audit procedures for revenue from contracts have not identified any audit issues.
IFRS 16 - Leases	IFRS 16 replaces IAS 17 Leases and its related interpretations, it will apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the authority. We have considered the Authority's implementation plan and preparedness for IFRS 16. The Authority have already considered their completeness of leases and identifying those that may require reclassifying. The Authority should continue to progress their work on IFRS 16 to ensure they are ready for its implementation.

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below:

- The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (2019/20 Code Cpt 2.1 refers);
  - new definitions of assets, liabilities, income and expenses
  - updates for the inclusion of the recognition process and criteria and new provisions on de-recognition
  - enhanced guidance on measurement bases
- Guidance in the treatment of the Apprenticeship Levy (2019/20 Code Cpt 2.11 refers)
- Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (2019/20 Code Cpt 2.11 refers)
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (2019/20 Code Cpt 9 refers).



# 03 Audit Report



# Audit Report

## Our draft opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST HERTFORDSHIRE DISTRICT COUNCIL

#### Opinion

We have audited the financial statements of East Hertfordshire District Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 39, and the Collection Fund and the related notes 1 to 4.

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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of East Hertfordshire District Council as at 31 March 2019 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 2018/19.

#### Basis for opinion

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

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

#### Conclusions relating to going concern

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

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



# Audit Report

## Our draft opinion on the financial statements

### Other information

The other information comprises the information included in the Statement of Accounts 2018/19 set out on pages 2 to 99, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, East Hertfordshire District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.





# Audit Report

## Our draft opinion on the financial statements

### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities set out on page 99, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### 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 2017, as to whether East Hertfordshire District 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 East Hertfordshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.



# Audit Report

## Our draft opinion on the financial statements

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, East Hertfordshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

## Certificate

We certify that we have completed the audit of the accounts of East Hertfordshire District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## Use of our report

This report is made solely to the members of East Hertfordshire District 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.

*Suresh Patel (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*  
*Cambridge*  
*XX November 2019*



# 04 Audit Differences





## Audit Differences

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

### Summary of adjusted differences

There was one significant adjusted difference, at the time of drafting this report.

As noted in the Executive Summary a national issue has resulted in a relatively late change to the pension fund accounts and IAS 19 fund liability disclosure. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft pension fund accounts did recognise this matter as a contingent liability.

However, since the year-end there have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has led to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes.

The Guaranteed Minimum Pension (GMP) ruling has also had an impact on the pension liability. This was also uncertain how the equalisation would be carried out. This has now been finalised.

A final impact on the liability related to a reduction in asset values as a result of changes in the valuation of the pension fund assets at 31 March 2019.

Revised actuarial reports provided by the actuary show an increase in the liability of £0.928 million to the Pension Liabilities as a result of the total adjustments, with further associated disclosure added to recognise this as a source of estimation uncertainty and an adjusted Post Balance sheet event.

At the time of writing there were no uncorrected misstatements identified as part of our audit.





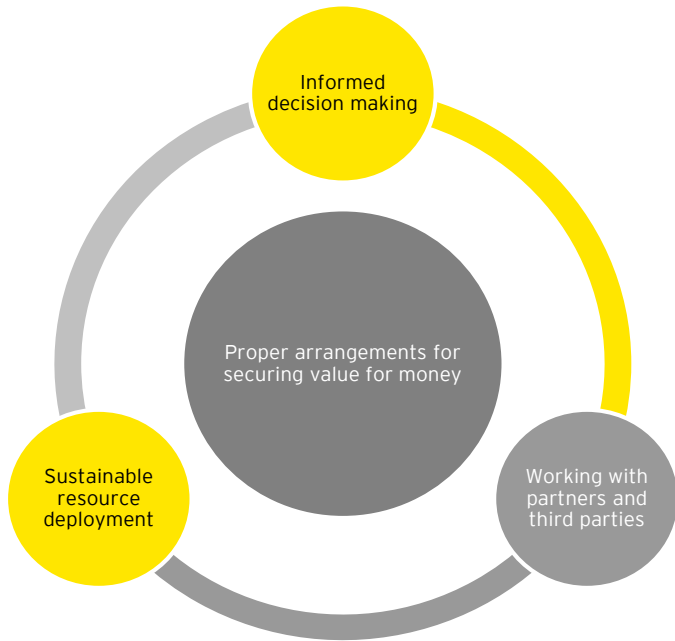
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## Value for Money Risks





# Value for Money



## Background

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

For 2018/19 this is based on the overall evaluation criterion:

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

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

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

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

## Overall conclusion

We identified one significant risks around these arrangements. The table below presents our findings in response to the risk in our audit plan.

We have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

## Value for Money Risks

We are only required to determine whether there are any risks 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.

We present below the findings of our work in response to the risk area in our audit plan.

### What is the significant value for money risk?

#### Taking Informed Decisions - Development of Old River Lane

The Authority continues to develop the site purchased at Old River Lane. An OJEU tender process has been completed to determine the preferred developer of the site. Decisions made by the Authority will impact on the current and future revenue and capital costs of the project.

The forecast capital cost of £30 million is significant for the Authority. The project presents challenges for the Authority in terms of governance, financial and risk management as well as partnership working. Given the significance and importance of these decisions to the Authority’s strategic, operational and financial priorities, the effectiveness of the governance and risk management arrangements related to this project are crucial.

### What are our findings?

We have assessed the arrangements in place supporting these developments, focusing on:

- ▶ The quality of the information provided to Members and Officers when taking decisions in relation to the project;
- ▶ The nature consideration of advice taken by the Authority, including legal and financial advice;
- ▶ The extent to which the Authority has identified, considered, and mitigated the risks around the project;
- ▶ The extent to which the Authority has considered alternative funding options;
- ▶ The governance arrangements and judgement made during the tender process; and
- ▶ The adequacy of the processes established by the Authority to review and monitor delivery of the any agreed outputs.

We are currently still concluding our work in this area but we have not identified any significant findings to date.



## 06 Other reporting issues

## Other reporting issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 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.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

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

### Whole of Government Accounts

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

As the Authority falls below the £500 million threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule.

### 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.





07

## Assessment of Control Environment





# Assessment of Control Environment

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

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

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

Independence

# Independence

## Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 27 February 2019.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Performance, Audit and Governance Oversight 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 Performance, Audit and Governance Oversight Committee on 19 November 2019.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements, though we are engaged to act as reporting accountant in respect of the Housing Benefit Subsidy claim, as set out below. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Final fee 2018/19	Planned fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Scale fee	40,295	40,295	52,331
Additional fees:			
- Old River Lane significant risk	1,250-1,750**	-	2,495*
- New General ledger	1,450-1,950**	-	-
- Updated pension disclosures	750-950**	-	-
Certification of Claims and Returns***	TBC***	9,540	8,316

\* We have yet to conclude discussions with the Council and PSAA over proposed additional fees.

\*\* We have performed additional work as a result of the risks identified in this audit results report. We have yet to finalise the additional fees that this work has generated but we include a range to indicate the scale of fees. We will seek agreement with the Chief Financial Officer and PSAA and report to the Committee at a later date.

\*\*\* You have engaged us as a reporting accountant to certify your claim for housing benefit subsidy. We have agreed a planned fee but the final fee will be depending on the level of error within the current claim and the work required to certify the claim. We will confirm our final fees following the completion of our work and report this either within our Annual Audit Letter or separately to the Committee.





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## Appendices



## Appendix A

# Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.




Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
Property, plant and equipment	Substantively test all relevant assertions	Substantively tested all relevant assertions	No change
Investment properties			
Short term debtors			
Short & long term borrowing			
Short & long term creditors			
Provisions			
Other long term liabilities			
Capital grants received in advance			
Reserves			

## Appendix B

# Summary of communications during 2018/19





Date 	Nature 	Summary 
20 November 2018	Meeting	Debbie Hanson and Suresh Patel met with Isabel Brittain as part of the hand-over to the new Partner and discuss the audit strategy and risks for 2018/19.
22 January 2019	Meeting	Dan Cooke met with the finance team to plan for the 2018/19 audit.
12 March 2019	Meeting	Suresh attended the Performance, Audit and Governance Oversight Committee to present the Audit Planning Report.
29 April 2019	Call	Suresh discussed with Isabel the timing of the audit.
21 May 2019	Meeting	Suresh attending the PAG Committee meeting
28 June 2019	Meeting	Dan held a meeting with the finance team to go through the draft statement of accounts and discuss audit requirements.
11 October 2019	Meeting	Dan held meetings with the finance team and Isabel to discuss audit progress and agree any findings.
19 November 2019	Meeting	Suresh and Dan will attend the PAG meeting to present this Audit Results Report (ISA 260 report).

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit progress and any potential findings.





## Appendix C

# Required communications with the Performance, Audit and Governance Oversight Committee





There are certain communications that we must provide to the Performance, Audit and Governance Oversight Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Performance, Audit and Governance Oversight Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - March 2019
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - March 2019
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - November 2019

## Appendix C




		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about East Hertfordshire District Council's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - November 2019
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Performance, Audit and Governance Oversight Committee where appropriate regarding whether any subsequent events have occurred that might</li> </ul>	
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Performance, Audit and Governance Oversight Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Performance, Audit and Governance Oversight Committee responsibility.</li> </ul>	Audit Results Report - November 2019

## Appendix C




		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures, Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report - November 2019
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	Audit Plan - March 2019 and Audit Results Report - November 2019



## Appendix C

		Our Reporting to you
Required communications	 What is reported?	  When and where
	<ul style="list-style-type: none"> <li>▶ Details of any inconsistencies between the Ethical Standard and Authority's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Details of any contingent fee arrangements for non-audit services</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The Performance, Audit and Governance Oversight Committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Performance, Audit and Governance Oversight Committee into possible instances of non-compliance with laws and regulations that may have a</li> </ul>	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"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - November 2019

## Appendix C

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
Written representations	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - November 2019
Material inconsistencies or misstatements	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - November 2019
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - November 2019
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - March 2019 and Audit Results Report - November 2019

# Management representation letter

## Management Rep Letter

[To be prepared on the entity's letterhead]

19 November 2019

Suresh Patel  
Executive Director  
Ernst & Young LLP  
1 More London Place  
London  
SE1 1AF

Dear Suresh

This letter of representations is provided in connection with your audit of the financial statements of East Hertfordshire District Council ("the Authority") for the year ended 31 March 2019. 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 Authority financial position of East Hertfordshire District Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

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

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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. As members of management of the Authority, 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 2018/19, that are free from material misstatement, whether due to fraud or error.

There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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

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

# Management representation letter

## Management Rep Letter

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Full Council, Cabinet and Performance, Audit and Governance Oversight 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: 19 November 2019.
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 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 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.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We confirm there are no liabilities relating to litigation and claims, both actual and contingent, which require disclosure in the financial statements.

### E. Subsequent Events

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

### F. Other information

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

Yours faithfully,

\_\_\_\_\_  
Chief Financial Officer

Date .....

\_\_\_\_\_  
Chair of the Performance, Audit and Governance Oversight Committee

Date .....

## EY | Assurance | Tax | Transactions | Advisory

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