

London Borough of Hillingdon

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



Building a better
working world

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of Responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ 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. This report is intended solely for the use of the members of the audited body. 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. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work carried out to discharge our statutory audit responsibilities, together with any governance issues identified. This report summarises findings from the 2015/16 audit, which is substantially complete. It includes messages arising from our audit of the financial statements and the results of our work to assess arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.

We show below the results and our conclusions on the significant areas of the audit.

Status of the audit	<p>We report progress on our audit of the financial statements of London Borough of Hillingdon for the year ended 31 March 2016. A number of detailed work areas remain in progress. We will provide a verbal update on progress on outstanding work areas at the 22 September 2016 meeting of the Audit committee. We have substantially completed our audit of the financial statements for the year ended 2015/16.</p> <p>Based on the work undertaken to date we anticipate issuing an unqualified opinion on the Council's financial statements but this is subject to the completion of our outstanding work in Appendix C.</p> <p>Subject to completion of the audit, we have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the financial statements.</p> <p>We expect to conclude that the Council has put in place proper arrangements to secure value for money in its use of resources.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>There are no unadjusted and one adjusted audit difference based on the work completed to date that we wish to bring to your attention</p>
Scope and materiality	<p>In our audit plan presented at the March 2016 Audit Committee meeting, we set materiality of £13,558,000 when deciding on our audit procedures. We have reassessed this based on the Council's actual results and we have decreased this amount to £13,251,000 due to a reduction in gross operating expenditure. The basis of our assessment is 2% of gross operating expenditure, which is consistent with prior years.</p> <p>The threshold for reporting audit differences which have an impact on the financial statements has also decreased from £667,000 to £662,561.</p>
Significant audit risks	<p>We identified the following audit risks during our planning, and reported them in our audit plan:</p> <ul style="list-style-type: none"> · Risk of management override; and · Risk of fraud in revenue recognition. <p>Section 3 'Addressing audit risks' (financial statements) sets out how we have gained audit assurance over those issues</p>
Other reporting issues	<p>We have no other matters to report.</p>
Control	<p>We have not identified any significant deficiencies in the design or</p>

observations	operation of an internal control that might result in a material misstatement in the financial statements and which the Council does not know about. We have adopted a fully substantive approach and have therefore not tested the operation of controls.
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We would like to take this opportunity to thank the Council's staff for their assistance during the audit.

Maria Grindley

Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements, and any planned changes in future.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- report by exception on the AGS;
- consider and report any matters that prevent us being satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion); and
- discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

This report also contains our findings on any areas of audit emphasis and our views on any significant deficiencies in internal control or the Council's accounting policies and key judgements.

We also review and report to the National Audit Office on the Whole of Government Accounts return. The extent of our review is specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks when we planned our audit, and reported them in our Audit Plan. We set out below how we have gained the necessary audit assurance.

A significant audit risk is an inherent risk which is both more likely to happen and has a greater effect if it does happen; so it requires special audit consideration. For significant risks, we obtain a relevant understanding of the entity's controls and assess their design and implementation.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We:</p> <ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions. 	<p>We have completed the majority of the planned programme of work in this area. We have identified no evidence of management override or bias.</p> <p>We have also identified no significant unusual transactions in the course of our work undertaken to date.</p>
<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p>	<p>We:</p> <ul style="list-style-type: none"> • Reviewed and tested revenue and expenditure recognition policies; • Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; • Developed a testing strategy to test material revenue and expenditure streams; and • Reviewed and tested revenue cut-off at the period end date. 	<p>We have completed our testing and identified no issues.</p> <p>We have not yet completed this work but have not identified any issues to date.</p> <p>We have completed our testing of revenue and expenditure streams and identified no issues.</p> <p>We have not yet completed this work and have not identified any issues to date.</p>

We also identified the following 'other' audit risk.

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p>Valuation of Property Plant and Equipment As at 31 March 2015, the total value of land and buildings was £1,068 million which represents 72% of the council's total assets. Land and buildings are initially measured at cost and then revalued to fair value. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. The valuations are based on a number of complex assumptions. Given the high value of these assets, a small change in these assumptions can lead to a material change in value.</p>	<p>We obtained an understanding of and evaluated key controls over the valuation of PPE.</p> <p>We:</p> <ul style="list-style-type: none"> • Agreed the source data used by your valuer to supporting records; • Assessed the work of your valuer; and • Agreed the outputs to your fixed asset register and statements. <p>We reviewed the Council's impairment assessment and consideration of whether the carrying value of these assets is appropriate.</p>	<p>We have completed the majority of the planned programme of work in this area. We have identified one error that has been corrected and the details are set out in Appendix B - Corrected audit differences</p>

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell the Council significant findings from the audit and any other matters significant to oversight of the Council's financial reporting process, including the following:

- qualitative aspects of accounting practices, estimates and disclosures;
- matters specifically required by other auditing standards to be reported to those charged with governance, e.g. issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- any significant difficulties encountered during the audit; and
- other audit matters of governance interest.

We have one matter that we would like to report to you. We identified that there are a number of manual workings between the Trial Balance (TB) and the Accounts to align management reporting to statutory reporting. There is also an off-ledger item for accumulated absences which does not go through the accounts. We would recommend increased automation between the ledger and accounts to reduce the need for the manual adjustments.

Control themes and observations

It is the Council's responsibility to develop and implement systems of internal financial control and to have proper arrangements to monitor their actual adequacy and effectiveness. Our responsibility as auditor is to consider whether the Council has arrangements to satisfy itself that this is indeed the case. We have adopted a fully substantive approach and have therefore not tested the operation of financial controls.

As part of our audit we have reviewed Information Technology general controls (ITGCs) over the Oracle system as this is a key part of the Council's financial framework. We did this because effective ITGCs help to ensure the continued and effective operation of application controls and automated accounting procedures that depend on computer processes. We concluded that effective controls and procedures were in place. We raised a number of recommendations and these have been discussed and agreed with Officers and an action plan has been prepared to ensure implementation.

We have reviewed the Annual Governance Statement and can confirm that it is not misleading or inconsistent with other information arising from the audit or our knowledge of the Council.

Request for written representations

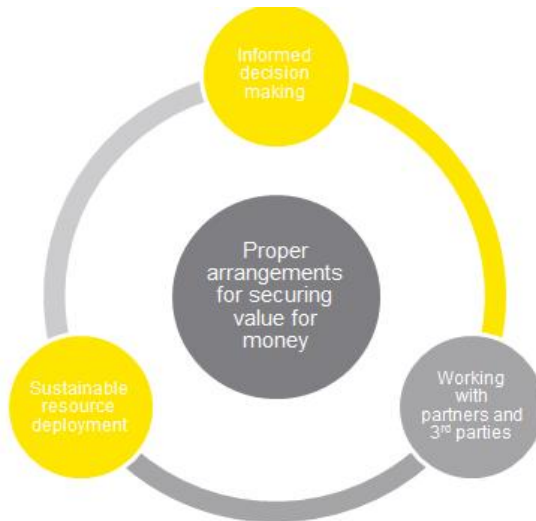
We have asked for a representation letter to gain management's confirmation on a number of matters, as outlined in Appendix G.

Whole of Government Accounts

We will also review and report to the National Audit Office on the Council's Whole of Government Accounts return. The extent of our review is specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters arising to the Audit Committee.

4. Value for money



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

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They consist of the Council's arrangements to:

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

Overall conclusion

We did not identify any significant risks for these criteria.

We have performed the procedures as outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements.

We therefore expect to conclude that the Council has proper arrangements to secure value for money in its use of resources.

Other matters to bring to your attention

At the time of drafting this report we have no other matters to report.

Appendix A – Uncorrected audit differences

There are no uncorrected misstatements greater than our nominal amount of £662,561 subject to completion of our outstanding work.

Appendix B – Corrected audit differences

A small number of corrections to the financial statements have been made as a result of our audit. We identified one corrected difference greater than £662,561 during our audit which we believe we should report to the Committee.

During the Councils valuation process a community asset site was incorrectly valued at Fair value due to mistake over the actual site requiring valuation. The correct surplus site was valued however the two asset references were incorrect resulting in the new updated revaluations being attributed to the wrong asset. As a result this led to a revaluation loss on one asset and a revaluation gain on the other.

The community asset should have been kept at nil value as community assets are held at historical depreciated cost. However, the increase in revaluation on the surplus asset was incorrectly reflected as an increase on the community asset.

This led to an understatement of the surplus asset and overstatement of the community asset.

When the correct value was applied to the two assets in question a number of amendments were required to the financial statements including:

- remove the income and expenditure charge of £2,930k for the surplus asset initially processed as a loss on revaluation;
- reduce Property Plant and Equipment by £76,190 as the community asset should not be revalued at Fair Value;
- reduce revaluation reserve by £76,190 and £2,930k which is the net effect; and
- the MIRS statement is debited with £2,930k which reversed the income and expenditure charge and the Capital Adjustment Account credited by the same amount to reverse adjustments no longer required.

Appendix C – Outstanding matters

The following items are outstanding at the date of this report:

Item	Actions to resolve	Responsibility
Management representation letter	Receive signed letter of representation	Management and Audit Committee
Statement of Accounts 2015/16	<ul style="list-style-type: none"> • Take account of EY review comments on disclosure notes; • Audit Committee to approve accounts; and • Accounts to be re-certified by responsible officer. 	EY, management and Audit Committee
Subsequent events review	Complete the subsequent events procedures up to the date the audit report is signed.	EY and management
Other outstanding work includes: Whole of Government Accounts; Segmental reporting; Completing PPE work; Provisions; Reserves; Expenditure testing; Completion of pensions work; and Movement in reserves.	Management and EY to work together to complete any outstanding work.	EY and management

Appendix D – Independence

We confirm that there are no changes in our assessment of independence since our confirmation in the Audit Plan dated 15 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (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 confirm that we do not know of any relationships that may affect the independence and objectivity of the firm and which auditing and ethical standards require us to report to you.

We consider that our independence in this context is a matter that should be reviewed both by the Council and by us. It is therefore important that you consider any facts you know about and come to a view. If you wish to discuss any matters concerning our independence, we will be happy to do so at the Audit Committee on 22 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan for doing this was set out in the Audit Plan of 15 March 2016.

Appendix E – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	157,268	157,268
Certification of claims and returns	TBC	24,445
Non-audit work	13,500	N/A

Our actual fee is in line with the scale fee set by the PSAA, subject to satisfactory clearance of the outstanding work.

We have agreed with the Council that we will complete an assurance work on Teachers Pension and the Pooling of Capital Receipts with proposed fees of £9,000 and £4,500 respectively.

Appendix F – Draft audit report

Independent auditor's report to the members of London Borough of Hillingdon

Opinion on the Authority's financial statements

We have audited the financial statements of London Borough of Hillingdon for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Movement in Reserves Statement;
- Authority Comprehensive Income and Expenditure Statement;
- Authority Balance Sheet;
- Authority Cash Flow Statement
- related notes 1 to 47; and
- the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of London Borough of Hillingdon, 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 London Borough of Hillingdon and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director of Finance and auditor

As explained more fully in the Statement of the Corporate Director of Finance Responsibilities set out on page 10, the Corporate Director of Finance is responsible for the preparation of the Statement of Accounts 2015/16, 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Hillingdon as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Conclusion on London Borough of Hillingdon's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether London Borough of Hillingdon 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 the London Borough of Hillingdon put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, the London Borough of Hillingdon had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, London Borough of Hillingdon put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Pension Fund financial statements

On [date] we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2016 included within the Statement of Accounts.

Certificate

We certify that we have completed the audit of the accounts of London Borough of Hillingdon 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.

Maria Grindley

for and on behalf of Ernst & Young LLP, Appointed Auditor

Reading

XX September 2016

Appendix G – Management representation letter

[To be prepared on the entity's letterhead]

Maria Grindley
Executive Director
Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

This letter of representations is provided in connection with your audit of the financial statements of London Borough of Hillingdon (“the Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of the Council as of 31 March 2016 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 2015/16.

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 2015/16.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.
5. As at xx September 2016 there are 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 disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

C. Compliance with Laws and Regulations

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

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and committees and summaries of actions of recent meetings for which minutes have not yet been prepared held through the 1 April 2015 to the most recent meeting on the following date: [list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

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. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than the one school converting to academy status described in Note 24 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

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.

Yours faithfully,

Corporate Director of Finance

Appendix H – Required communication with the audit committee

We must provide certain communications to the Audit Committees of UK clients, as detailed below:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view on the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Any significant difficulties encountered during the audit ▶ Any significant matters arising from the audit and discussed with management ▶ Written representations requested from management ▶ Expected modifications to the audit report ▶ Any other matters significant to the oversight of the financial reporting process ▶ Findings and issues on the opening balance on initial audits 	Audit Results 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 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about the Councils ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements relating to prior periods ▶ A request for any uncorrected misstatement to be corrected ▶ In writing, any significant corrected misstatements 	Audit Results Report
<p>Fraud</p> <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 we have identified or information obtained indicating that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ non-disclosure by management ▶ inappropriate authorisation and approval of transactions ▶ disagreement over disclosures ▶ non-compliance with laws and regulations ▶ difficulty in identifying the party that ultimately controls the entity 	We have not matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations.
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Ask the audit committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and which the audit committee may know about 	We have not identified any material instances of non-compliance with laws and regulations.
<p>Independence</p> <p>Communication of all significant facts and matters bearing on EY'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 processes to maintain objectivity and independence 	Audit Plan and Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Certification Report

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