



SOUTHEND-ON-SEA BOROUGH COUNCIL

FINAL REPORT TO THE AUDIT COMMITTEE - 24 SEPTEMBER 2014

Audit for the year ended 31 March 2014

16 September 2014

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OVERVIEW

Significant audit findings

This Overview covers the significant findings from our audit of Southend Borough Council ('Council') for the year ended 31 March 2014. However, you should read the entirety of this report, as there may be other matters raised that you consider important.

AREA OF AUDIT	SUMMARY
Financial statements	<p>We have substantially completed our work, although there are some outstanding items to be received and/or completed at the time of drafting this report. Further detail on the status of our work is set out on page 3.</p> <p>Our final audit materiality is £8,214,000 (see appendix III) and we have reported all non-trivial unadjusted audit differences greater than £164,000.</p> <p>Three material misstatements were identified as a result of our audit work:</p> <ul style="list-style-type: none">• Recharges Prior Period Adjustment (PPA) - Some of the internal recharge income and expenditure between departments was "double counted" in the prior year in relation to the "Adult Social Care" and "Children's and Educational Services" lines of the comprehensive income and expenditure statement. Whilst the Council had identified the cause of the issue, no PPA had been affected or disclosed in the draft accounts. This does not have any impact on the net deficit reported for the prior year, but the gross overstatement was £10.6m.• Valuation of HRA assets- The value of HRA properties increased materially during 2013/14, but this was not included within the valuer's report to the Council and so was not reflected in the draft financial statements received for audit. An increase of £13.8m was calculated and adjustments made to reflect this in the accounts.• Cashflow (Current and Prior year) - The interest received and paid was incorrectly disclosed within the Cashflow Statement. The total gross impact in the current year was £11.7m and in prior year adjustments totalled £32.5m, although there was no net impact on the Statement. <p>Six other material misstatements affect the disclosure notes to the financial statements only. These were:</p> <ul style="list-style-type: none">• The minimum lease payments due in relation to Southend airport were incorrectly excluded from the prior year disclosure in the accounts and so the disclosure was understated by £24.2m.• Two notes within the Group Accounts (Property, Plant and Equipment and Pensions), which were materially different to Southend's individual accounts, had been omitted from the draft accounts.• Misclassification of £45.0m between items valued internally and those valued externally within the rolling re-valuation note.• Although not directly instructed by the Code or associated guidance, a detailed note for the adjustments to surplus /deficit on the provision of services for non-cash-movements, within the Cashflow Statement was not included in the draft accounts.• The maturity analysis of borrowing included in the Financial Instruments note did not include interest payments due under the loan terms and so was understated by £221m. The customers figure in the credit risk disclosure did not agree to the figure in Note 16 and so was understated by £8.8m. <p>We have not identified any differences from our audit work that have not been adjusted for in the final version of the accounts.</p> <p>Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2014.</p>
Control environment	<p>We are required to report to you the significant deficiencies we found in internal controls during the course of our audit. During our review of the key financial systems we did not identify any significant deficiencies.</p> <p>One area for improvement in relation to the Carefirst and Agresso interface was identified, relating to data transfer checking. This has been discussed with management.</p>

AREA OF AUDIT	SUMMARY
Governance reporting	We are satisfied that the Annual Governance Statement is not misleading or inconsistent with other information we were aware of from our audit of the financial statements and complies with “Delivering Good Governance in Local Government” (CIPFA / SOLACE).
Whole of Government Accounts (WGA)	Our review of the Council’s WGA Data Collection Tool (DCT) is in progress.
Use of resources	We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014. We anticipate issuing an unqualified value for money conclusion.
Audit certificate	<p>The audit certificates for 2011/12 and 2012/13 remain outstanding pending the conclusion of our response to an objector. The issues raised by the objector related to car parking and the use of vehicle with CCTV cameras.</p> <p>The findings and conclusions have been reported to the representative of the Objectors, which rejects their objection. A draft Statement of Reasons has been prepared and is in the process of passing through internal and Audit Commission quality assurance phases.</p> <p>Our certificates for the years 2011/12 to 2013/14 can only be issued once the full process of the Objections has been concluded.</p>

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

OVERVIEW

Audit status and timetable to completion

We set out below the current status of the audit and our timetable to completion.

AUDIT STATUS

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2014. The following matters are outstanding at the date of this report.

We will update you on their current status at the Audit Committee.

- Final review of audit work on group accounts.
- Clearance of a query raised on expenditure cut off.
- Outstanding bank letter.
- Working paper to support the subjective analysis note.
- Breakdown of consultancy expenditure/ HMRC review.
- Final review of our audit work at engagement partner level, and clearance of any review points arising
- Subsequent events review
- Management representation letter, as attached in Appendix VI, to be approved and signed.

TIMETABLE TO COMPLETE

The anticipated timetable to complete is as follows:

ACTIVITY	DATE
Audit Committee meeting	24 September 2014
Signing of financial statements	25 September 2014
Submission of WGA assurance report	25 September 2014

INDEPENDENCE

Integrity, objectivity and independence and appropriate safeguards

Under Audit Commission Standing Guidance and Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the audit engagement partner and the audit staff. We have considered such matters in the context of our audit for the year ended 31 March 2014.

FEES AND NON AUDIT SERVICES	OTHER RELATIONSHIPS	LONG ASSOCIATION THREATS
A summary of fees for audit and non-audit services for 2013/14 is set out below:	We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.	The Audit Commission’s Standing Guidance requires that the audit engagement partner should not act for more than five years ⁽¹⁾ and the audit manager for 10 years.
£		
Audit fees		Key audit staff
189,351		Years involved
Certification fees		David Eagles - Audit engagement partner
⁽¹⁾ 28,379		7 ⁽²⁾
Other fees		Alison Langridge - Audit Manager
- Fraud Awareness Training		2
4,196		
- Teachers’ Pension Grant Claim		
⁽²⁾ TBC		
TOTAL FEES		
£221,926		

⁽¹⁾ work remains on going on the housing benefit subsidy return and the fees shown above is current scale fee.

⁽²⁾ at the time of drafting, the scope and approach, and consequent fees, for providing “reasonable assurance” to the Teachers Pensions Agency has yet to be agreed.

⁽¹⁾ This can be extended for another two years, but must be approved by the Associate Controller of Audit at the Audit Commission.

⁽²⁾ We can confirm that the appropriate approval was obtained from the Audit Commission for this extension.

INDEPENDENCE DECLARATION AND APPROPRIATE SAFEGUARDS

We have not identified any potential threats to our independence as auditors.

AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

The audit scope is determined by the Audit Commission's Code of Audit Practice for local government (2010), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. This requires that we form an opinion on whether:

- 1** The financial statements give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended.
- 2** The financial statements have been prepared properly in accordance with statutory requirements and proper practices have been observed in their compilation.
- 3** The financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting.
- 4** The information given in the statement of accounts and explanatory foreword is consistent with the financial statements.
- 5** The annual governance statement is not inconsistent with our knowledge and complies with relevant guidance.
- 6** The Whole of Government Accounts return is consistent with the audited financial statements and that it is properly prepared.
- 7** The audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

FINANCIAL STATEMENTS

Key audit and accounting matters

SIGNIFICANT AND OTHER RISKS OF MATERIAL MISSTATEMENT

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered a significant audit risk, in the 2013/14 Audit Plan issued in March 2014. We have since undertaken a more detailed assessment of risk following our review of the draft financial statements. We have not included any additional significant risks and were able to conclude that the risk relating to the Forum (see below) was no longer significant.

We report below our findings of the work designed to address these significant risks, our review of significant accounting estimates and management judgements, and any other relevant audit and accounting issues arising.

Key: ■ Significant risk/issue ■ Significant accounting estimates and management judgements ■ Other relevant audit and accounting

SIGNIFICANT AUDIT RISK AREAS

RISK	RELATED CONTROLS / RESPONSE TO RISK	WORK PERFORMED	CONCLUSION
MANAGEMENT OVERRIDE OF CONTROLS	<p>ISA (UK&I) 240 requires us to presume that a risk of management override of controls is present and significant in all entities.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We reviewed the appropriateness of journal entries and other adjustments made in the preparation of the financial statements.</p> <p>We also reviewed accounting estimates for evidence of possible bias.</p>	<p>No issues have been identified in our review of the appropriateness of journal entries and other adjustments made in the preparation of the financial statements.</p> <p>Our work on accounting estimates has not identified any evidence of bias.</p>
REVENUE RECOGNITION	<p>ISA (UK&I) 240 assumes there is a rebuttable presumption that there is a material risk of fraud arising from revenue recognition. We have rebutted this presumption for all income streams where government grants are received, or if they relate to Council Tax, NNDR or the Housing Revenue Account.</p>	<p>We substantively tested a sample of income streams to supporting documentation to confirm that income had been accurately recorded and earned in the year.</p> <p>We substantively tested an extended sample of receipts either side of the year end to ensure that income was complete and accounted for in the correct period.</p> <p>Testing was completed over revenue streams which are generated at the provision of a service to customers. This provided us with assurance that income was complete and accurate.</p>	<p>No issues have been identified from our testing of income streams and year end cut off with regard to the recognition of revenue in the relevant financial year.</p>

FINANCIAL STATEMENTS

Key audit and accounting matters (continued)

SIGNIFICANT AUDIT RISK AREAS			
RISK	RELATED CONTROLS / RESPONSE TO RISK	WORK PERFORMED	CONCLUSION
THE FORUM	<p>The lease agreement for the Forum Centre was not signed during the year as originally planned. As a result the asset remained on the Council's balance sheet. This element of the original risk is not therefore an issue for the 2013/14 accounts.</p> <p>We will ensure that the Council's stake of the management company is appropriately consolidated.</p>	<p>The Council's stake in the management company should be treated as a Joint Venture. However, the values were below trivial. As a result the management company has not been consolidated into the Council's Financial Statements.</p>	<p>The Council should prepare a detailed working paper to support the accounting treatment for the asset and the lease. This will enable us to have early discussions re the treatment well in advance of next year's audit.</p>

FINANCIAL STATEMENTS

Key audit and accounting matters (continued)

SIGNIFICANT ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENTS		
RISK	WORK PERFORMED	CONCLUSION
FAIR VALUE OF LAND AND BUILDINGS	<p>The calculation of the fair value of land and buildings is subject to a high level of estimation uncertainty that requires the exercise of judgement in determining the appropriate assumptions underlying the valuation.</p> <p>The Council has engaged Wilks, Head and Eve as a management expert.</p> <p>We have reviewed the valuation reports as at 1 April 2013 and the year end market review that considers impairment and also current market conditions.</p> <p>We have tested a sample of valuations undertaken during the year to ensure the correct valuation basis has been applied and the financial statements have been updated to reflect the latest valuations.</p> <p>We have reviewed the valuer's assumptions against other price index information.</p>	<p>Land and buildings are required to be carried at fair value which is either existing use value, depreciated replacement cost for specialised properties or open market value. The Council re-values land and buildings over a five years rolling programme and does not adjust for price indices between formal valuations unless there is indication of material changes.</p> <p>Management makes valuation adjustments to land and buildings based on valuation reports and useful economic lives provided by an independent firm of valuers with specialist knowledge and experience valuing local authority estates, which has regard to local prices and building tender indices in the public sector.</p> <p>We are satisfied that the valuer is suitably independent of the Council, objective and experienced in undertaking this work.</p> <p>We compared the HRA asset values to price index information, which suggested that an upwards revaluation should have occurred for HRA assets. The original report provided by the valuer concluded that there was no indication of a material change in asset values. However, this was not consistent with our understanding of the wider market, particularly including HRA assets, but it was not clear whether this report included HRA assets and the Council was not able to provide confirmation. The Council discussed this issue with Wilks, Head and Eve, who confirmed that the report did not reflect HRA asset movements, and the Council therefore requested that the valuers prepared a separate report on HRA assets. This report suggested that there had been a 5.4% increase in HRA land and properties. This was consistent with the other price index information that was available. As a result the council made a £13.8m adjustment to the financial statements to reflect the increase in value.</p> <p>We compared all other categories of assets to price index information and concluded that the assumptions made by the valuer were not unreasonable.</p>

SIGNIFICANT ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENTS

RISK	WORK PERFORMED	CONCLUSION
<p>ACTUARIAL ASSUMPTIONS</p>	<p>The actuarial assumptions used for pension valuations are subject to a high degree of estimation uncertainty that requires the exercise of judgement in determining the appropriate assumptions underlying the valuation.</p> <p>Essex County Council Pension Fund has engaged Barnett Waddingham as a management expert.</p> <p>We have reviewed the actuary’s report and the underlying assumptions used to calculate the year end pension liability.</p> <p>On commencement of our audit we were advised that an error had been identified by the auditor of the Essex County Council Pension Fund in relation to the valuation of properties within the Pension Fund portfolio. The error resulted in an amendment of £1.5m. The error was subsequently rectified and a new actuary’s statement was issued. The Council’s financial statements have been updated to reflect the correct pension figures.</p> <p>We have requested written representations from the Council to confirm that the assumptions applied by the actuary are reasonable and consistent with the Council’s knowledge.</p>	<p>The net pension liability of the Council comprises its share of the market value of assets held in the Essex Pension Fund and the estimated future liability to pay pensions for its current, deferred and retired members of the pension scheme.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. Their estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation.</p> <p>We are satisfied that the actuary is independent of the Council, objective and is experienced in undertaking this work. Our review of the assumptions applied in estimating the pension liability suggest that these are not significantly different from those being applied by the actuaries of other local authorities.</p> <p>Through our testing we noted that the Council does not have a copy of the engagement letter between Essex County Council (as the Pension Authority) and the Actuary for the provision of information required for IAS 19 purposes. We have raised a recommendation in Appendix IV in relation to this matter.</p>
<p>INSURANCE PROVISION</p>	<p>The calculation of the insurance provision is subject to a high level of estimation uncertainty that requires the exercise of judgement in determining the appropriate assumptions underlying the valuation.</p> <p>A sample of claims included within the insurance provision were traced back to case notes or other documentation to support the value of provision included.</p>	<p>No significant issues have been identified from our testing.</p>

FINANCIAL STATEMENTS

Key audit and accounting matters (continued)

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES		
RISK	WORK PERFORMED	CONCLUSION
INTERNAL RECHARGE RESTATEMENT	Our preliminary analytical review identified that a Prior Period Adjustment had not been made for the double counting of internal recharge income and expenditure that had been identified by the Council.	The reason for the difference was due to the way that internal recharges between departments were posted. This led to a “double counting” of both recharged income and expenditure in relation to the “Adult Social Care” and “Children’s and Educational Services” lines of the comprehensive income and expenditure statement. Given the gross value of this difference, which was £10.6m, the prior period values (“comparative”) required restatement. This does not have any impact on the net deficit reported for the prior year. The comparative figures have been amended in the final set of accounts.
Cashflow Restatement	Our Cashflow testing identified that the treatment of interest paid and received figures in the Cashflow notes was not in line with the requirements of the Code for the preparation method adopted by the Council.	<p>The Council has adopted the “indirect” method of preparation for the Cashflow Statement. The Code requires the interest paid and received figures to be included within the Cashflow statement either on the face of the Statement itself or in supporting notes. The relevant figures are correctly included in the net surplus on the provision of services. However, adjustments had been made to the ‘Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities’ and the ‘Financing Activities’ lines on the face of the Cashflow Statement, in order that the “Financing Activities” cashflow figure could include interest, even though the chosen method of preparation stated that this should be excluded. In correcting for this, both lines were reduced by £11.7m. A separate disclosure note has now been added into the accounts for interest paid/ received.</p> <p>A similar error has been identified in the prior year’s Cashflow Statement, and gross adjustments of £14.4m have been made to correct for this.</p> <p>Two other errors were identified in the previous year’s Cashflow Statement when the Council re-worked the Statement to address the issues referred to above:</p> <ul style="list-style-type: none"> • The “Adjustments to the Net Surplus or Deficit on the Provision of Services for non cash Movements” line was amended by a total of £20.4m to include REFCUS¹ (£7.9m) income. The the pensions figure was also amended to reflect the difference between the IAS19 figure from the actuary and the employer’s contributions paid (£11.4m). • The ‘Investing Activities’ line was amended by a total of £6.6m to include some capital grants (£13m) and include capital programme expenditure (£6.3m) which was not previously been included, so ensuring that the comparative figures are consistent with the current year disclosures.

¹ Revenue Funded from Capital Under Statute (REFCUS)

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES

RISK	WORK PERFORMED	CONCLUSION
<p>ACCOUNTS DISCLOSURES</p>	<p>We review material accounting disclosures, to confirm that they are in compliance with the requirements of the Code.</p>	<p>Leases - Southend airport</p> <p>We identified that the future minimum lease payments receivable by the council disclosed in note 42 for the prior year incorrectly excluded the lease signed during that year in relation to Southend Airport. This amounts to total minimum lease payments over the life of the lease of £24.2m. The prior year figures have been amended in the final set of accounts.</p> <p>Group Accounts</p> <p>We identified two notes (Property, Plant and Equipment [PPE] and Pensions) which needed to be included within the Group Accounts as they were materially different to Southend’s individual accounts. The PPE note has now been produced and audited but, at the time of drafting we are awaiting a draft pensions note.</p> <p>Rolling re-valuation note</p> <p>Within the rolling re-valuation note the re-valuations are classified between those valued internally and those valued externally. We identified that £45.0m had been incorrectly disclosed as being valued internally. This has been amended in the final set of accounts.</p> <p>Cashflow statement</p> <p>Although not directly instructed by the Code or associated guidance , it was noted that a detailed note splitting out the £46m of transactions within the ‘adjustments to surplus /deficit on the provision of services for non-cash-movements’ on the face of the cash flow statement would aid understanding of the accounts. This note has now been produced and audited.</p> <p>Financial instruments</p> <p>The maturity analysis included within note 51 originally only showed an analysis of when the loan amount was repayable for all borrowing. Per the code guidance this analysis should detail all the cashflows included within the loan agreement over the life of the loan which will include the interest payments due. This amounts to an additional £221m being disclosed within the note. The current and prior year figures have been amended in the final set of accounts.</p> <p>The receivables figure disclosed within the credit risk analysis also requires updating to ensure it agrees to the loans and receivables figure disclosed in Note 16 which is an increase of £8.8m. This has been amended in the final set of accounts.</p>

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES

RISK	WORK PERFORMED	CONCLUSION
		<p>Grant Income</p> <p>Our testing identified that the housing benefit Income included within the Grant Income note was overstated by £3.6m. This is because the housing benefit overpayment codes had been incorrectly linked to ‘grants’. The Council identified another £357k that had been incorrectly linked. The Grants income note has therefore been reduced by £4m. This has no impact on the CIES.</p> <p>The ‘Amounts Reported for Resource Allocation Decisions’ note was overstated by the same amount.</p> <p>Leases - Expired Leases</p> <p>Our testing of leases where the council is the lessor identified a total of 29 leases which have expired but still have values included within the disclosure of minimum lease payments receivable under non-cancellable leases. This means that the disclosure was overstated by a total of £2.5m. This has been amended in the final set of accounts.</p> <p>Incorrect netting of NNDR arrears</p> <p>Our testing of short term debtors identified that NNDR arrears had been accounted for net of NNDR prepayments. The correct treatment is to show both amounts gross and recognise the latter balance as a short term creditor. Both short term debtors and short creditors were therefore understated by £366k. This has been amended in the final set of accounts.</p> <p>Misclassification of expenditure on face of collection fund</p> <p>The face of the collection fund in the draft accounts presented for audit disclosed “Payments to Government” of £20.75m and “Payments to Southend-on-Sea Borough Council” as £21.17m. The correct values are £21.17m in respect of “Payments to Government” and £20.75m in respect of “Payments to Southend-on-Sea Borough Council”. This has been amended in the final set of accounts.</p> <p>Prior period adjustments</p> <p>The Council made the following prior period adjustments:</p> <ul style="list-style-type: none"> • Consolidated non material Trust Funds. • Adjusted for an error identified within the previous year’s NNDR grant claim. <p>These adjustments were not material and therefore accounting standards would not require the council to make a prior period adjustment. However, the Council made these adjustments to aid comparability of the accounts.</p>

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES

RISK	WORK PERFORMED	CONCLUSION
		<p>Related Party Transactions Forms</p> <p>At the time of writing this report, eight Members had not returned the documents requesting disclosure of relationships that may impact on their work as Members. As a result, we have carried out further testing to identify any relationships for these Members. We will name those Members that have not returned these at the Audit Committee.</p>

FINANCIAL STATEMENTS OPINION

Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2014.

AUDIT CERTIFICATE

The audit certificates for 2011/12 and 2012/13 remain outstanding pending the conclusion of our response to an Objector. The issues raised by the Objector related to car parking and the use of vehicle with CCTV cameras.

The findings and conclusions have been reported to the representative of the Objectors. A draft Statement of Reasons has been prepared and is in the process of passing through internal and Audit Commission quality assurance phases.

Our certificates for the years 2011/12 to 2013/14 can only be issued once the full process of the Objections has been concluded.

CONTROL ENVIRONMENT

Significant deficiencies and other observations

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

As the purpose of the audit is for us to express an opinion on the financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control. We only restate weaknesses already reported by internal audit where we consider these to be significant deficiencies.

We have not identified any significant deficiencies. However, we have reported below other deficiencies and observations.

Key: ■ Significant deficiency in internal control

■ Other deficiency in internal control

■ Other observations

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION
Carefirst and Agresso Interface	Income and expenditure data is extracted from the Carefirst system into a data file by the adult social care team and checks are completed to ensure this is correct. This data file is then saved onto a central computer drive where it is converted into a format which allows it to be uploaded to the Agresso system by the Agresso support team. However, there are no checks completed over the data uploaded to ensure that it is complete and agrees to the original data extracted from Carefirst.	If the amounts uploaded to Agresso are not complete or are inaccurate then the Council may not be billing for income it is due or paying for expenditure incurred.	Data uploaded to Agresso from the Carefirst system should be checked to confirm that the amount of income/expenditure and number of items agrees between the two systems.

We made the observations reported to you above during the course of our normal audit work. Management responses to our recommendations are included in appendix IV.

GOVERNANCE REPORTING

Governance matters and quality of reporting

FINANCIAL STATEMENTS PREPARATION

The draft financial statements, within the statement of accounts, was prepared and provided to us for audit on 30 June 2014.

As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit. As in previous years, a file of audit working papers has been provided to us on the first day of the audit.

ANNUAL GOVERNANCE STATEMENT

We are required to review the draft Annual Governance Statement and to be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.

STATEMENT OF ACCOUNTS

We are required to read all the financial and non-financial information in the explanatory foreword to the financial statements 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.

CONCLUSIONS AND AUDIT ISSUES

We have one matter to report in relation to the financial statement preparation process:

Northgate year-end NNDR debtor report

The report from the Northgate system which provides a detailed breakdown of the NNDR receivable recognised in the financial statements must be run as at 31 March. This was not done as part of the closedown process for the 2013/14 accounts and the report was therefore unavailable to support our audit work (it cannot be run retrospectively). This report was included in the document outlining the information we would require to complete the audit. Whilst we were able to undertake alternative procedures to obtain the assurance required, this resulted in an increased level of work for both officers and the audit team.

This issue has arisen, and we have consequently made recommendations for improvement, in a number of previous years (although was addressed in last year's audit), so it is disappointing that it should have arisen again. It would suggest that more formal diary control is required to ensure the report is run when necessary.

CONCLUSIONS AND AUDIT ISSUES

We are satisfied that the Annual Governance Statement is not misleading or inconsistent with other information we were aware of from our audit of the financial statements and complies with "Delivering Good Governance in Local Government" (CIPFA/SOLACE).

Our review noted that the section under "Review of Effectiveness" is a combination of both commentary on the Governance Framework and review of effectiveness. If these were split out the statement would be easier to follow. A recommendation has been raised in Appendix IV.

CONCLUSIONS AND AUDIT ISSUES

We are satisfied that the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

WHOLE OF GOVERNMENT ACCOUNTS

Consistency of the Data Collection Tool

SCOPE OF THE REVIEW OF THE DATA COLLECTION TOOL

We are required to perform tests with regard to the WGA return prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.

This work requires checking the consistency of the WGA return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.

CONCLUSION AND AUDIT ISSUES

Our review of the Council's WGA Data Collection Tool (DCT) is in progress.

ASSURANCE STATEMENT

Our review is currently in progress. We will update the Audit Committee on progress on 24 September 2014.

USE OF RESOURCES

Scope of the review

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

AUDIT COMMISSION SPECIFIED CRITERIA

Our principal work in arriving at our value for money conclusion was assessing the Council's arrangements against the criteria specified by the Audit Commission in its guidance to auditors.

This guidance is based on the following two reporting criteria:

- The organisation has proper arrangements in place for securing financial resilience.
The focus of the criteria is that the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.
The focus of the criteria is that the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We draw sources of assurance relating to their value for money responsibilities from:

- the Council's system of internal control as reported on in its annual governance statement
- the results of the work of the Commission, other inspectorates and review agencies
- any work mandated by the Commission
- any other locally determined risk-based value for money work that auditors consider necessary to discharge their responsibilities.

FOCUS OF REVIEW

We have reviewed the Council's arrangements against risk indicators and key issues facing the sector including the Government's spending review, funding over the medium term, risks arising from welfare reform, and risks from the localisation of business rates.

In our audit plan we reported the follow significant risk to the Council:

- There is a risk that the Council will not have robust plans in place to generate £16.3m of savings required in 2015/16 to balance the budget, which is notably higher than previous in-year levels. Over the next three years, Southend need to find savings of £37.3m, creating further financial pressures.

We also review the Council's relative performance against the VfM Profile Tool and Financial Ratios Analysis Tool produced by the Audit Commission, issues arising from VfM Briefings provided by the Audit Commission, and the key assumptions in the Medium Term Financial Strategy.

USE OF RESOURCES

Financial resilience

FINANCIAL RESILIENCE

Our financial resilience work has considered the Council's arrangements for financial governance, financial planning and financial control.

During 2013/14, as part of setting the budget for 2014/15 and following the financial settlement announced during the year, the Council updated the four year Medium Term Financial Strategy (MTFS) that identifies the budget gap which needs to be addressed through the Council's financial planning arrangements.

The budget gap of £37.3 million identified for the period covered by the MTFS (up from £29.6 million in the MTFS published at the end of 2012/13) is forecast to arise as follows:

- 2015/16: £16.3 million (increased from £8.7 million in the previous MTFS)
- 2016/17: £10.9 million (increased from £8.4 million in the previous MTFS)
- 2017/18: £10.1 million

The Council's political and managerial leadership understand the financial position and challenges being faced by the Council over the period of the MTFS, and the need to contain budgets to match the available resource.

The Council's financial planning arrangements are being utilised to manage the process. However, there remains work to do to determine specific, detailed plans as to how the reductions will be achieved and then implement the actions required by those plans to continue to deliver a balanced financial position into the medium term. The budget setting process for 2015/16 has recently begun, with discussions held between senior management and Cabinet regarding the Council's approach to the process. The 2015/16 budget will need to take account of the Council's new corporate priorities, which have been developed by the joint administration formed following the local elections in May 2014. These new priorities will also need to be incorporated into the next iteration of the MTFS.

The Council has maintained its good track record of member and officer involvement in reviewing financial matters and consulting on expenditure priorities. The Council's overall financial position is understood within the organisation and amongst partners.

Financial outturn 2013/14

In 2013/14 the Council overspent against the budget overall for the year by £845,000, decreasing the General Fund balance to £11m, after making an additional contribution to general earmarked reserves of £19.3m (excluding HRA reserves). £8.7m of this transfer relates to a change in the way in which the Council accounts for grants without conditions attached to their use. A further £5.9m relates to funds set aside to finance the repayment of the pension deficit made in April 2014 and required following the most recent triennial valuation of the pension scheme.

The Council's general fund balance at 31 March 2014 is £11m, which is between the Council's approved target optimum level of £10.0m and maximum level of £12.0m.

AUDIT ISSUES AND IMPACT ON CONCLUSION

We have no matters to report.

In 2013/14 the HRA underspent against the budget for the year, and was therefore able to contribute £2.7m to HRA earmarked reserves, while maintaining the HRA balance at £3.5m.

Along with all other councils, Southend was notified of a reduction in central government funding which led to the need to identify revenue savings of £7.3m for 2014/15. Saving and efficiency initiatives were identified to fund the gap in 2013/14 as part of the budget setting process.

Budget 2014/15 and beyond

To assist with addressing the budget gap in 2014/15, as part of setting the budget for the year the Council identified planned savings of £7.3m (£10.4m in 2013/14) across departments and corporate areas as follows:

- Corporate Services - £0.9m
- People - £4.5m
- Place - £1.0m
- Corporate - £0.1m
- Highways, ICT, Social Care and Transport - £0.9m

The projects to be delivered to achieve this level of savings were specified and approved by Members as part of the 2014/15 budget setting process.

From our review of the latest forecast position (as at end of June 2014), the Council is slightly behind where it planned to be to deliver its 2014/15 financial objectives and targets. The most recently available budget monitoring documentation shows that the Council is currently forecasting that full year savings of £6.6m will be achieved in 2014/15. This is a £0.7m shortfall against the budgeted savings target for the year. Management is now working to improve this position for 2014/15 and is beginning to develop the budget for 2015/16 and beyond.

USE OF RESOURCES

Challenging economy, efficiency and effectiveness

The economy, efficiency and effectiveness criterion has two aspects: prioritising resources and improving efficiency and productivity.

PRIORITISING RESOURCES

Our work focused on:

- Reviewing the action plan put in place as a result of the Local Government Association (LGA) peer review that was undertaken in January 2014 and considering whether the Council is on track to achieve the objectives set by the Board.
- Following up our previous work on the Health and Wellbeing (H&WB) Board, which identified a number of areas for development and further investigation.

During 2013/14 the Council and its partners have continued to work on developing the H&WB arrangements and how the H&WB is tackling the health challenges and issues faced by the Borough. The Council invited the LGA to undertake a peer review challenge of the H&WB arrangements, which demonstrated that the Council is open to new ideas and committed to further improving the foundations that were already in place. The results were reported in February 2014.

The H&WB Board has made further progress during 2013/14 including:

- The development of a joint Southend-on-Sea Health System Strategic Plan 2014-2019 setting out the shared vision and ambitions for improving outcomes for the health system in Southend-on-Sea over the next five years. The plan was approved in June 2014.
- Becoming a Health and Social Care Integration Pioneer site and development of a Better Care Fund plan that is aligned with the Integration Pioneer programme
- Further embedding of health and wellbeing across the Council with increased understanding and focus on improving the wider determinants of health
- Continued strong partnership working arrangements developing award winning joint programmes.

Areas and activities that the Council and its partners still need to develop further to enhance the effectiveness of the H&WB in achieving the outcomes it is pursuing include:

- Being more widely recognised as the primary strategic forum driving the response to the key challenges faced by the health and care system, to exert the appropriate influence over relevant organisations
- Further developing the use of joint commissioning and working to tackle the major challenges to health and wellbeing currently faced by the Borough
- Agreeing a protocol for the sharing and use of data to provide the best possible evidence base for decision making
- Agreeing the arrangements for evaluating the effectiveness of H&WB work and action plans, including the required performance management information, so that the Board can properly monitor progress towards objectives.

The Council has continued to make good progress to bring the Board to its current position, in line with the statutory requirements and influencing the response to the health challenges of the Borough. The Board has plans in place to assist with maintaining the momentum in the development of arrangements and relationships, so that the anticipated benefits of the operation of a successful and influential the Board can be converted into improvements in the public services provided for the residents of the Borough.

AUDIT ISSUES AND IMPACT ON CONCLUSION

We have no matters to report.



APPENDICES



APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	Southend-on-Sea Borough Council
Management	<p>The person(s) responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for:</p> <ul style="list-style-type: none"> the financial statements (including designing, implementing, and maintaining effective internal control over financial reporting) putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.
Those charged with governance	<p>The person(s) with responsibility for assurance and the Council's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. This includes overseeing the financial reporting process.</p> <p>Those charged with governance for the Council are the Audit Committee.</p>
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
Code	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC
SeRCOP	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
CIES	Comprehensive Income and Expenditure Statement

APPENDIX II: AUDIT DIFFERENCES

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

CORRECTED AUDIT DIFFERENCES					
AUDIT ADJUSTMENTS	(SURPLUS) / DEFICIT	INCOME AND EXPENDITURE		BALANCE SHEET	
	£'000	Dr £'000	(Cr) £'000	Dr £'000	(Cr) £'000
Total Comprehensive (Income) and Expenditure for the year before adjustments	(64,403)				
Dr Local Authority Housing (HRA) Income Dr (Surplus) on revaluation of PPE Assets Cr PPE (Council Dwellings) <i>Being the indexation of HRA Dwellings</i>	(1,032) (12,856)		(1,032) (12,856)	13,888	
Dr Other Long Term Liabilities - Pensions Cr Actuarial (gains) or losses on Pension Assets/Liabilities <i>Being the adjustment of pension liabilities following the reissued IAS19 report by the pension scheme actuary</i>	(1,487)		(1,487)	1,487	
Dr Short Term Debtors Cr Short Term Creditors <i>Being the adjustment to show NNDR arrears and prepayment gross rather than net</i>				366	(366)
TOTAL AUDIT ADJUSTMENTS		0	(15,375)	15,741	(366)
Total Comprehensive (Income) and Expenditure for the year after adjustments	(79,778)				

ADJUSTED DISCLOSURE MATTERS

- Note 5 - Current year pension gain disclosed and prior year pension loss restated by £3,146k.
- Note 12 - Current year revaluation amount moved from internal to external valuer.
- Note 27 - Grant income decreased by £4,016k being the total of the adjustment to Note 39 below.
- Note 34 - Equipment service pooled expenditure increased by £5k and council expenditure by £12k.
- Note 38
 - A number of the figures in the senior officer note have been updated.
 - An amount of £56k has been added to the exit packages.
- Note 39 - Housing benefit grant income decreased by £3,637k and other grants by £379k. Capital grants total reduced by £56k.
- Note 42 - Council as a lessor, minimum lease payments decrease of £2,911k in total for the current year and £24,213k in total for the prior year.
- Note 47 - NHS Pension scheme figures now disclosed. Expected contributions for the next year included for the Teachers and NHS schemes.
- Note 48 - Adjustments made to a range of numbers following the reissue of the IAS19 report by the Actuary.
- Note 51
 - Debtors amount in the credit risk section decreased by £10m.
 - Past due but not impaired receivables adjustments between ageing totalling £421k.
 - Maturity analysis recalculated with overall increase of £221,083k
- Note 55 - Comparative figures have been included for all trust funds.
- Collection Fund - Payments to Government increased by £424k and Payments to Southend-on-Sea BC decreased by £424k.
- Group Accounts - PPE and Pension notes now included.

UNADJUSTED AUDIT DIFFERENCES

There are no unadjusted audit differences for the current year. All of the previous year's adjusted errors either don't affect this year's accounts or have been adjusted by the Council in year.

APPENDIX III: MATERIALITY

In carrying out our work we determine and apply a level of materiality. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole, or individual elements of the financial statements as appropriate. Consequently, the audit cannot be relied upon to identify all risks or potential or actual misstatements. Materiality may relate to both quantitative and qualitative matters, and for quantitative considerations the numerical level materiality is assessed at may be different for different information in the financial statements. Nevertheless, within this context, we provide an indication of the quantitative levels used for planning purposes. Materiality is re-assessed every year in the context of authoritative audit practice.

MATERIALITY

Planning materiality	£8,214,000
Final materiality	£8,214,000
Clearly trivial threshold	£164,000

Planning materiality of £8,214,000 was based on 2% of gross expenditure, using the draft financial statements provided for audit.

We have no reason to revise our final materiality level.

APPENDIX IV: RECOMMENDATIONS AND ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS				
<p>Pension figures</p> <p>When assessing the work of the actuary we identified that the Council did not have a copy of the engagement letter in place between Essex County Council and the actuary.</p> <p>The Council are relying on the figures provided to include within their accounts. It is best practice for the Council to obtain a copy of the letter in order to understand what the actuary has been engaged to do.</p>	<p>Obtain a copy of the engagement letter between the County Council and the Actuary. Ensure that the letter includes all required information.</p>	<p>Agreed</p>	<p>Ian Ambrose Group Manager - Financial Management</p>	<p>February 2015</p>
<p>The Forum</p> <p>The accounting treatment for this asset is complex. It could cause material errors in the 2014/15 financial statements, and so it would be helpful to engage in early discussions around the treatment of this asset.</p>	<p>Prepare at an early stage a detailed working paper to support the proposed accounting treatment for the Forum, so that discussions can be held safely in advance of the year end closedown.</p>	<p>Agreed</p>	<p>Caroline Fozzard Group Manager - Financial Planning & Control</p>	<p>December 2014</p>
<p>Transfers out of Assets Under Construction</p> <p>The Forum, which is recognised at the cost of construction, was transferred from Assets Under Construction (AUC) to Other Land and Buildings (OLB) during the year as the lease has yet to be signed, but was not revalued before the transfer.</p> <p>Newly constructed items being transferred out of AUC should be revalued before transfer. As generally buildings valued at cost are between 10% and 15% higher than those valued at fair value.</p>	<p>Revalue all buildings, following completion, before they are transferred out of Assets Under Construction.</p>	<p>Agreed</p>	<p>Caroline Fozzard Group Manager - Financial Planning & Control</p>	<p>May 2015</p>

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS				
<p>Northgate year-end NNDR debtor report</p> <p>The report from the Northgate system which provides a detailed breakdown of the NNDR receivable recognised in the financial statements must be run as at 31 March. This was not done as part of the closedown process for the 2013/14 accounts and the report was therefore unavailable to support our audit work (it cannot be run retrospectively).</p>	<p>Run Northgate transaction-level report supporting NNDR receivables on 31 March as part of accounts closedown process.</p>	<p>Agreed</p>	<p>David Cumming Group Manager - ICT</p>	<p>March 2015</p>
<p>Capital Grants and Contributions</p> <p>Capital grants are all currently disclosed under the heading "Capital grants and contributions unapplied" in note 7 of the accounts and only REFCUS (Revenue Expenditure Funded From Capital Under Statute) income amounts are disclosed under the heading "Capital grants and contributions applied". From testing completed most capital grants have been applied during the year and the current presentation within this note could be misleading for users of the accounts.</p> <p>The current year treatment does not give rise to any misstatement on the total amount charged to the capital grants unapplied reserve.</p>	<p>Disclose capital and REFCUS grants in note 7 of the accounts based upon whether they have been applied during the year in line with the heading descriptions.</p>	<p>Agreed</p>	<p>Caroline Fozzard Group Manager - Financial Planning & Control</p>	<p>April 2015</p>
CONTROL ENVIRONMENT				
<p>Carefirst and Agresso Interface</p> <p>There are no checks completed over the data into Agresso from the Carefirst system to ensure that the data uploaded on Agresso is complete and agrees to the original data from Carefirst.</p>	<p>Data uploaded to Agresso from the Carefirst system should be checked to confirm that the amount of income/expenditure and number of items agrees between the two systems.</p>	<p>Agreed</p>	<p>Sarah Baker Group Manager - Business Support</p>	<p>October 2014</p>

APPENDIX IV: RECOMMENDATIONS AND ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
GOVERNANCE REPORTING				
<p>Annual Governance Statement</p> <p>Our review noted that the section under "Review of Effectiveness" is a combination of both commentary on the Governance Framework and review of effectiveness. If these were split out the statement would be easier to follow.</p>	<p>Create two sections within the governance statement:</p> <ul style="list-style-type: none"> • Governance Framework • Review of effectiveness 	<p>Agreed</p>	<p>Tim MacGregor Policy & Governance Manager</p>	<p>March 2015</p>

APPENDIX V: STATUTORY AND PROFESSIONALLY REQUIRED COMMUNICATIONS

COMMUNICATION REQUIRED	DATE COMMUNICATED	TO WHOM	METHOD
Accounting practices, accounting policies, estimates and judgements and financial statement disclosures (ISA 260)			Financial statements section of this report
Significant difficulties encountered during the audit (ISA 260)		No issues	
Significant matters discussed or subject to correspondence with management (ISA 260)		No issues	
The final draft of the representation letter (ISA 260)		Appendix VI	
Independence (ISA 260)			Independence section of this report
Fraud and illegal acts (ISA 240)		No issues	
Non-compliance with laws and regulations (ISA 250)		No issues	
Significant deficiencies in internal control (ISA 265)			Control environment section of this report
Misstatements, whether or not corrected by the entity (ISA 450)		Appendix II	
Significant matters in connection with related parties (ISA 550)		No issues	
Events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 570)		No issues	
Matters relating to the audit of the group (ISA 600)			Financial statements section of this report
Expected modifications to our audit report or inclusions of emphasis of matter / other matter (ISA 705 / 706)		No issues	
Material inconsistencies with other information in documents containing audited financial information (ISA 720)		No issues	
Objections from the public or exercise of statutory powers under the Audit Commission Act 1998			Financial statements section of this report

APPENDIX VI: DRAFT REPRESENTATION LETTER

TO TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
Suffolk
IP3 9SJ

25 September 2014

Dear Sirs

Financial statements of Southend Borough Council for the year ended 31 March 2014

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2014 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Head of Finance and Resources has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2011 and Statement of responsibilities of auditors and of audited bodies local government (March 2010) issued by the Audit Commission, and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2014 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2011, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the annual governance statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

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

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

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

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

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

We have disclosed to you all instances of fraud or suspected fraud that we have knowledge of, involving employees where the fraud could have a material effect on the financial statements.

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

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

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

We confirm that the fair value measurements in relation to the following are reasonable and that there are no circumstances of which we are aware that would have a material impact on the values reported:

- fair value of property, plant and equipment
- assumptions underpinning the reported pension liability

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

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

After making appropriate enquiries of other members of the Council and other officers regarding disclosure of information to you as auditors, we confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

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

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

Yours faithfully

Joe Chesterton

Head of Finance and Resources


[date]

[Name]

[Title]

Signed on behalf of the Audit Committee

[date]



The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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