Purpose of report
This report covers the Audit Results Report from EY.

Attachment(s)
Appendix 1: Audit Results Report – Year ended 31 March 2019 (to follow)

1. Overview

1.1. Under the Local Audit and Accountability Act 2014, those responsible for the conduct of public business and for spending public money are required to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.2. The annual Statement of Accounts is the summary financial representation of every transaction that the council has been directly or indirectly involved with, over the course of the 2018/19 financial year.

1.3. The report at Appendix 1 highlights findings arising from the audit of the Statement of Accounts for the benefit of those charged with governance (Governance & Audit Committee) as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice.

2. Audit Results Report (ISA 260 Report)

2.1. The council's financial statements and annual governance statement are important means by which the council accounts for its stewardship of public funds. The Audit Results Report provides an independent view of the financial statements and should be considered by "those charged with governance” prior to adopting the statement of accounts and annual governance statement.

2.2. The Audit Results Report provides an opinion on whether the financial statements:

- give a true and fair view of the financial position of the council and its expenditure and income for the period in question; and
- have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

2.3. The report also provides a conclusion on whether the council provides value for money. The value for money conclusion is an assessment on whether the council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
3. **Key Findings and the 2018/19 Audit Opinion**

3.1. The key findings of the audit are presented within EY’s report, at Appendix 1.

3.2. At time of writing this report there are a number of audit areas that remain outstanding that are currently being worked on. This list is detailed at Appendix 1, and EY will present an update at the meeting.

3.3. EY have also informed Northamptonshire Chief Finance Officers that due to delays in KMPG signing off the Northamptonshire County Council (NCC) Statement of Accounts for 2017/18, EY cannot start their work on the Northamptonshire Pension Fund (NPF) accounts for 2018/19 (due to the fact NPF accounts, although separate, form part of the NCC accounts as NCC is the Pension Fund administering body).

3.4. Therefore, EY cannot issue ENC’s audit opinion until a level of assurance work is completed on the NPF accounts, given that a material part of the council’s accounts relate to pension fund entries. EY will also be providing an update on this issue at the meeting.

4. **Equality and Diversity Implications**

4.1. There are no equality and diversity implications arising from this report.

5. **Privacy Impact Implications**

5.1. There are no privacy impact implications arising from the recommendations in this report.

6. **Legal Implications**

6.1. There are no legal implications arising from this report.

7. **Risk Management**

7.1. There are no significant risks to the council arising from this report.

8. **Resource and Financial Implications**

8.1. There are no additional financial implications arising from this report.

9. **Constitutional Implications**

9.1. There are no constitutional implications arising from this report.

10. **Implications for Our Customers**

10.1. There are no customer implications arising from the report.

11. **Corporate Outcomes**

11.1. This report links to the following Corporate Outcomes:

- Effective Management
  
  *Ensuring robust risk management arrangements are in place to manage and minimise risks the council is exposed to*

- Good Value for Money
  
  *The Annual Governance report sets out an unqualified value for money opinion demonstrating the council’s achievement in working towards this objective*
12. **Recommendation**

12.1. The Committee is recommended to:

- Note the contents of the Audit Results Report of EY

*Reason – to comply with the requirements of the Accounts and Audit Regulations*

<table>
<thead>
<tr>
<th>Legal</th>
<th>Power:</th>
<th>Local Government Act 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Accounts and Audit Regulations 2015</td>
</tr>
</tbody>
</table>

Other considerations:

**Background Papers:** Statement of Accounts and working papers

**Person Originating Report:** Glenn Hammons, Chief Finance Officer  
☎ 01832 742267 ✉ ghammons@east-northamptonshire.gov.uk

**Date:** 16/09/2019

<table>
<thead>
<tr>
<th>CFO 13/09/19</th>
<th>MO 17/09/19</th>
<th>CX</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="signature1.png" alt="Signature" /></td>
<td><img src="signature2.png" alt="Signature" /></td>
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</tbody>
</table>
East Northamptonshire Council

Audit results report
Year ended 31 March 2019
18 September 2019
Dear Governance and Audit Committee Members

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

We are in the process of completing our audit of the Council for the year ended 31 March 2019. I have discussed the status of our audit with the Chief Finance Officer (S151 Officer) up to the date of issuing this report. The Council met its accounts publication deadline of 31st July 2019 and included a narrative on its website explaining why our audit is not concluded and the steps required thereafter to issue the audited accounts.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at section 3. We also have no matters to report to date on your arrangements to secure economy, efficiency and effectiveness in your use of resources and we will finalise our conclusion once we have completed all our outstanding work.

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

We would like to thank your staff for their help during the engagement. We welcome the opportunity to discuss the contents of this report with you at the Governance Audit Committee meeting on 25 September 2019.

Yours faithfully

Neil Harris

Associate Partner For and on behalf of Ernst & Young LLP

Encl
Public Sector Audit Appointments Ltd (PSAA) have issued a ‘Statement of responsibilities of auditors and audited bodies’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment (updated April 2018)’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

### Scope update

In our revised audit planning report tabled at the 27 March 2019 Governance and Audit Committee meeting, we provided you with an updated overview of our audit scope and approach for the audit of the financial statements specifying changes in scope as regards:

- The valuation of investment properties as a significant risk; and
- Value for money work as regards the governance arrangements for the purchase of investment properties in 2017/18; and
- Value for money work as regards the governance arrangements for the development of the Enterprise Centre in 2018/19.

Since we issued our revised Audit Plan, we have extended our audit procedures in the following areas:

- Engagement of EY’s internal valuers, EY Real Estate, to review the valuations of higher risk assets valued at depreciated replacement cost;
- A review of management’s consideration of the judgment and apply sensitivity analysis to the local government actuarial amendments in response to the McCloud/Sargeant judgment, brought to address the impact of historical age discrimination in the treatment of pensioners. We have also considered actuarial assessments as regards Guaranteed Minimum Pension and the movement of pension assets between the original date of the actuarial valuation and the 31 March 2019.

We have revised our significant risk around provisions; to cover specifically the:

- the misstatement of the business rates appeals provision given the development at Rushden Lakes.

We have also updated our risk assessment for the decision to defer Local Government reorganisation in Northamptonshire by a year. Three risks, which we reported in our audit plan are no longer considered to be significant risks covering:

- Incorrect adjustments through the Movement in Reserves Statements; and
- Accounting for the Collection fund surplus.

We have reported the results of our work in Section 2 of this Report.

### Scope update

#### Changes in Materiality

We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment.

- Based on our materiality measure of 2% gross expenditure on provision of services, we have updated our overall materiality assessment to £0.801 million (Audit Planning Report – £0.783k);
- This results in updated performance materiality, at 50% of overall materiality, of £0.401 million (Audit Planning Report - £0.392 million); and
- an unchanged threshold for reporting unadjusted misstatements of £40,000. (Audit Planning Report - £40,000).

Please note that we re-calculated materiality levels when it became apparent that the draft financial statements contained mapping which had overstated income and expenditure in the Comprehensive Income Expenditure Statement by £6.7 million although the net expenditure position remained the same.
Executive Summary

Status of the audit

We are in the process of completing our audit of East Northamptonshire Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our audit planning report.

We have set out in Appendix B the remaining areas of audit to be completed at the time of writing this report. There are a number of areas still to complete. Subject to satisfactory completion of those matters, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 4. However until work is complete, further amendments may arise.

We expect to issue the audit certificate at the same time as the audit opinion. However we will need to wait to sign the audit opinion as there are delays to the IAS19 assurances from Northamptonshire Pension Fund auditor which we do not anticipate receiving until after the end of September. The IAS19 assurances from Northamptonshire Pension Fund auditor will be determined by the timing of KPMG issuing its prior year opinion on the 17-18 Pension Fund accounts, KPMG resigning as auditor and then enabling EY to commence audit procedures on the Northamptonshire Pension Fund in order to provide responses to programme of work on IAS19 assurances for all admitted bodies in Northamptonshire. We have yet to receive confirmation from KPMG of their timetable for completing their 2017/18 audit.

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

Audit differences

We have identified a number of audit differences in the course of our audit. Management has also identified a number of differences as a result of a review of the working paper supporting the financial statements following publication of the financial statements on 31 May 2019.

None of these adjustments have impacted at present on the reported Net Cost of Services that impacts the Council Tax funding requirements. However, the increase in pensions liability in respect of the McCloud/Sargeant judgement, guaranteed minimum pensions and change in pensions assets will affect the total comprehensive income and expenditure and balance sheet reported for 2018-19 by £0.809 million and reclassification and presentational adjustments have been made to the financial statements by management.

The Council has reissued an updated Comprehensive Income and Expenditure Note. This is because the mapping process for compiling the financial statements pulled through incorrect figures resulting in an overstatement of income and expenditure by £6.7 million. Net expenditure at £11.477 million remained unchanged. In addition, the Balance Sheet totals for Short Term Debtors of £2.724 million differs from Note 18 by £1.10 million as a result of the mapping issue.

There were also numerous formatting errors within the financial statements disclosures which have been adjusted by management.

We report further those adjusted audit differences above our audit performance management threshold in Section 4 Audit Differences.

There are, to date, no uncorrected misstatements.
# Executive Summary

## Areas of audit focus

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

We ask you to review these and any other matters in this report to ensure:
- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

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

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, we wish to report the following areas where improvements could be made to the control environment:
- A rigorous quality control of the financial statements and supporting working papers before publication for 31 May deadline; and
- Arrangements to provide oversight and review of journals above a specified sum.

Our key considerations are outlined in section 7.

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties, covering:
- An understanding of the arrangements put in place in 2017-18 for the acquisition of investment properties; and
- The governance arrangements for the development of the Enterprise Centre in 2018/19.

We have undertaken appropriate procedures and concluded that we have no matters to include in the auditor's report about your arrangements to secure economy efficiency and effectiveness in your use of resources and anticipate issuing an unmodified opinion.

Our key considerations are outlined in section 5.
### Executive Summary

#### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have requested several amendments to the Annual Governance Statement as a result of our work (See Section 6). Management have yet to consider or agree to these suggestions. We have no other matters to report as a result of this work.

We have also reviewed the Council's Narrative Report for consistency with the financial statements and our knowledge. We have made observations for enhancing the context within the Report, highlighting the key performance indicators within the Report and the provision of comparative data. Management have yet to consider or agree to these suggestions. We have no other matters to report as a result of this work.

We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the Council falls below the £500 million threshold for review as per the NAO’s group instructions.

We have no other matters to report.

#### Independence

Please refer to Section 9 for our update on Independence.
Areas of Audit Focus
Areas of Audit Focus

Significant risk

**Misstatements due to fraud or error**

**What is the risk?**
The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

We have not identified a heightened risk of management override overall, but we have identified a specific area where management override might occur: incorrect capitalisation of revenue spending. Our specific response to this risk is set out in the next slide.

**What did we do?**
- Identified fraud risks during the planning stages.
- Asked management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management’s processes over fraud.
- Considered the effectiveness of management’s controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

**What are our conclusions?**
We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council’s normal course of business.

**What judgements are we focused on?**
We have considered the risk of management override and the areas of the financial statements that may be most susceptible to this risk. For the Council, we have identified the potential for the incorrect classification of revenue spend as capital as a particular areas where there is a risk of fraud or error.
Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

As identified in ISA 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 would otherwise appear to be operating effectively.

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position.

A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and a capital expenditure of £0.893 million and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

What judgements are we focused on?

How management decides on appropriate capitalisation of revenue expenditure.

How the capital programme complies with proper capital strategy principles.

What did we do?

- Sample testing additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.

What are our conclusions?

We have, to date, not identified any additions that were incorrectly capitalised.
Areas of Audit Focus

Significant risk

Misstatement of the business rates appeals provision

What is the risk?
The incorrect valuation of provisions could result in the material understatement of expenditure in year.

This covers the business rates provision given the extensive Rushden Lakes development.

The business rates appeals provision includes not only claims up to 31 March 2019 but claims that relate to earlier periods and is subject to estimation. As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate.

What judgements are we focused on?
How management’s methodology identifies and calculates the business rates appeals and ensures completeness of the provision.

What did we do?
► Reviewing the Council's exercise in respect of re-provisioning business rates for Rushden Lakes;
► Reviewing the Council's methodology underpinning the provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS37;
► Ensuring the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed; and
► Reviewing the completeness of the provision.

What are our conclusions?
Our approach will focus on:
► Reviewing the Council’s own exercise for the provisioning of business rates for Rushden Lakes;
► Reviewing the Councils' methodology for the provision; and that it is supported by appropriate evidence;
► Checking the disclosures within the financial statements;
► Undertaking procedures such as review of minutes and enquiries of management and those charged with governance to gain assurance over the material completeness of provisions.

We are currently considering the Council's working papers submitted to us.
## Areas of Audit Focus

### Significant risk

<table>
<thead>
<tr>
<th>Valuation of Investment Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What is the risk?</strong></td>
</tr>
<tr>
<td>Valuation of Land and Buildings</td>
</tr>
<tr>
<td>The fair value of Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes.</td>
</tr>
<tr>
<td>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</td>
</tr>
<tr>
<td>In 2017/18, the Council purchased significant retail investment properties which constitute 100% of its portfolio. Taking into account, the proportion and value of the Council's retail properties, being alert to the impact on valuation assessment from current significant difficulties encountered by retailers and our review of the predecessor external auditor files;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What judgements are we focused on?</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>How management has valued its investment properties.</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>What did we do?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consider the work performed by the Council's valuer, including</td>
</tr>
<tr>
<td>- Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities, the results of their work covering the judgements and assumptions made in assessing the impact the capital works have on the property's value;</td>
</tr>
<tr>
<td>- Tested the base data used in performing the valuation;</td>
</tr>
<tr>
<td>- Considered the legal and financial advice received by the Council for compliance with the prudential code;</td>
</tr>
<tr>
<td>- Considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;</td>
</tr>
<tr>
<td>- Tested accounting entries have been correctly processed in the financial statements; and</td>
</tr>
<tr>
<td>- Engage an EY estates specialist to consider the valuation of the property to ensure that the asset has been materially stated.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What are our conclusions?</th>
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</thead>
<tbody>
<tr>
<td>We have:</td>
</tr>
<tr>
<td>- Considered the work by the Council’s valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</td>
</tr>
<tr>
<td>- Considered the legal and financial advice received by the Council for compliance with the prudential code as part of our value for money conclusion work;</td>
</tr>
<tr>
<td>- Tested accounting entries have been correctly processed in the financial statements; and</td>
</tr>
<tr>
<td>- Engage an EY estates specialist to consider the valuation of the property to ensure that the asset has been materially stated.</td>
</tr>
</tbody>
</table>

At the time of this report, we are awaiting the results of the work from our EY Real estates valuer.
Areas of Audit Focus

Change in audit strategy – downgrading of Significant risks

What were the significant risks at the planning stage which have since been downgraded?

<table>
<thead>
<tr>
<th>Risk / area of focus</th>
<th>Risk identified</th>
<th>Change from PY</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incorrect adjustments through the Movement in Reserves Statement</td>
<td>Fraud risk</td>
<td>New area of focus</td>
<td>Linking to the risk above from the County Council, we have considered the adjustments between accounting basis and funding basis under regulations as a separate risk which could impact on the General Fund and other useable reserves reported in the Movement in Reserves Statement in the financial statements.</td>
</tr>
<tr>
<td>Accounting for the Collection Fund surplus</td>
<td>Fraud risk</td>
<td>New area of focus</td>
<td>Linking to the fraud risk above we have considered the accounting treatment of the Collection Fund surplus between the Council and Northamptonshire County Council as a separate risk which could impact on the General Fund and other balances reported in the financial statements.</td>
</tr>
</tbody>
</table>

Why did we downgrade these risks?

The above fraud risks, reported in the Audit Plan were no longer deemed to be significant as the risks around Local Government Reorganisation and the potential pressure for the districts to make a financial contribution to Northamptonshire County Council did not materialise.

Local government reorganisation in Northamptonshire has been put on hold for another year. It was decided in May 2019, that the shadow unitaries will now operate from 1 April 2020, rather than 1 April 2019 and the two new unitary councils will be fully operational from April 2021.

What are our conclusions?

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.
## Other areas of audit focus

In our audit planning report we identified other areas of the audit, not classified as significant risks, but still important when considering the risks of material misstatement to the financial statements and disclosures.

<table>
<thead>
<tr>
<th>What is the risk/area of focus?</th>
<th>What did we do?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valuation of Land and Buildings</strong></td>
<td>We:</td>
</tr>
<tr>
<td>The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council’s accounts and are subject to valuation changes, impairment reviews and depreciation charges.</td>
<td>▶ considered the work by the Council’s valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</td>
</tr>
<tr>
<td>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</td>
<td>▶ sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);</td>
</tr>
<tr>
<td></td>
<td>▶ considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE;</td>
</tr>
<tr>
<td></td>
<td>▶ reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;</td>
</tr>
<tr>
<td></td>
<td>▶ considered changes to useful economic lives as a result of the most recent valuation; and</td>
</tr>
<tr>
<td></td>
<td>▶ tested that accounting entries have been correctly processed in the financial statements.</td>
</tr>
<tr>
<td><strong>Pension Liability Valuation</strong></td>
<td>We:</td>
</tr>
<tr>
<td>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northamptonshire County Council. The Council’s pension fund deficit is a material estimated balance and the Code requires that this net liability is disclosed on the Council’s balance sheet. At 31 March 2019 this came to £26.9 million. The information disclosed is based on the IAS19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</td>
<td>▶ liaised with the auditors of Northamptonshire Pension Fund to obtain assurances over the information supplied to the actuary - although these are outstanding which has impacted on our ability to review and test the accounting entries and disclosures made within the Council’s financial statements in relation to IAS19.</td>
</tr>
<tr>
<td></td>
<td>▶ assessed the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.</td>
</tr>
<tr>
<td>The Council has amended its financial statements to take account of the implications of the McCloud case, brought to address the impact of historical age discrimination in the treatment of pensioners. This decision came through in late June, after the statements were originally drafted. The effect is to increase expenditure by £0.324m, This is a national issue affecting many public sector bodies. The Council’s actuary have advised that the impact of GMP is not material. We have corroborated the actuary’s view that there is no material impact.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>We have yet to conclude fully on our work on the pension liability valuation.</td>
</tr>
</tbody>
</table>
## Areas of Audit Focus

### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

<table>
<thead>
<tr>
<th>What is the risk/area of focus?</th>
<th>What did we do?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IFRS 9 financial instruments</strong></td>
<td>We are to:</td>
</tr>
<tr>
<td>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</td>
<td>‣ assess the Council’s implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;</td>
</tr>
<tr>
<td>‣ How financial assets are classified and measured;</td>
<td>‣ consider the classification and valuation of financial instrument assets;</td>
</tr>
<tr>
<td>‣ How the impairment of financial assets are calculated; and</td>
<td>‣ review new expected credit loss model impairment calculations for assets; and</td>
</tr>
<tr>
<td>‣ The disclosure requirements for financial assets.</td>
<td>‣ check additional disclosure requirements.</td>
</tr>
</tbody>
</table>

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. We are currently in discussion with officers on the appropriate accounting treatment for some equities.

<table>
<thead>
<tr>
<th><strong>IFRS 15 Revenue from contracts with customers</strong></th>
<th>We will conclude our work upon receipt of the relevant working papers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.</td>
<td>We are to:</td>
</tr>
<tr>
<td>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</td>
<td>‣ assess the Council’s implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;</td>
</tr>
<tr>
<td>The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</td>
<td>‣ consider application to the Council’s revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and</td>
</tr>
<tr>
<td>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.</td>
<td>‣ check additional disclosure requirements.</td>
</tr>
<tr>
<td>We will conclude our work upon receipt of the relevant working papers.</td>
<td></td>
</tr>
</tbody>
</table>

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.
### Areas of Audit Focus

#### Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

<table>
<thead>
<tr>
<th>What did we do?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Re-organisation of local government in Northamptonshire</strong></td>
</tr>
<tr>
<td>The re-organisation of local government in Northamptonshire may have an impact on the Council’s capacity to identify and implement the efficiency savings necessary to close the forecast budget gap in future years. The proposal for an interim governance structure is taking up considerable Chief Officer time and expenditure is being set aside to cover the costs of reorganisation. There may also be an impact on staff morale and retention, and on the Council's capacity to handle its day-to-day operations efficiently.</td>
</tr>
<tr>
<td>We:</td>
</tr>
<tr>
<td>▶ Maintained a watching brief over developments in relation to the reorganisation and any impact on officers’ capacity; and</td>
</tr>
<tr>
<td>▶ Checked additional disclosure requirements relating to the reorganisation.</td>
</tr>
<tr>
<td>We noted that EnCor acted promptly to appoint an officer to take the place of the previous Financial Services Manager from 31 May 2019. We have no matters to report.</td>
</tr>
</tbody>
</table>
Audit Report
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF EAST NORTHAMPTONSHIRE COUNCIL

Opinion

We have audited the financial statements of East Northamptonshire Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund, and
- The related notes 1 to 35 of the Authority’s Financial Statements and notes 1 to 3 of the Collection Fund.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- on Local Authority Accounting in the United Kingdom 2018/19, give a true and fair view of the financial position of East Northamptonshire Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of East Northamptonshire Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and the Comptroller and Auditor General’s (C&AG) AGNO1, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor’s report thereon. The Chief Finance Officer is responsible for the other information.

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

Our opinion on the financial statements

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

We have nothing to report in this regard.

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

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

Matters on which we report by exception

We report to you if:
• in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the 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

Responsibility of the Executive Director: Resources and Commercial

As explained more fully in the Statement of Responsibilities set out on page 16, the Executive Director: Resources and Commercial is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.
Audit Report

Our opinion on the financial statements

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether East Northamptonshire Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Northamptonshire Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

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

Certificate

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

Use of our report

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

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Xxxx 2019

The maintenance and integrity of the East Northamptonshire Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
Audit Differences
Audit Differences

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

Summary of adjusted differences

To date there are the following adjusted misstatements in the draft statements; however as we have yet to complete the work in Appendix C, there may be more unadjusted and adjusted differences.

CIES:
- The Council has reissued an updated Comprehensive Income and Expenditure Note. This is because the mapping process for compiling the financial statements pulsed through incorrect figures resulting in an overstatement of income and expenditure by £6.7 million. Net expenditure at £11.477 million remained unchanged.

Balance Sheet
- **McCloud - increase in pension liability**: An amendment as a result of judgement being made on the McCloud case is to be made to address the impact of historical age discrimination in the treatment of pensioners. This national decision, impacting on many public sector bodies, came through in late June 2019, i.e. after the statements were originally drafted. The effect is to increase the Council’s pension liability by £0.809 million.
- **Debtors**: The Balance Sheet total for Short Term Debtors of £2.724 million differs from that disclosed as £3.734 million within Note 18 by £1.10 million as a result of the mapping issue.

There were also numerous formatting errors within the financial statements disclosures which have been adjusted by management.

None of these adjustments have impacted at present on the reported Net Cost of Services that impacts the Council Tax funding requirements.

There are, to date, no uncorrected misstatements.
Value for Money Risks
**Value for Money**

**Background**

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

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

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

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

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

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

**Overall conclusion**

Our revised planning report identified two significant risks around taking informed decisions and working with partners and third parties, concerning the Council’s arrangements for:

- For the purchase of investment properties in 2017/18; and
- The governance arrangements for the development of the Enterprise Centre in 2018/19.

We also reviewed the Council’s financial resilience by completing a quantitative and qualitative assessment of the Council’s budget, medium term financial strategy and capital, treasury management strategies produced in the period to 31 March 2019. we did not identify a significant risk requiring further audit work.

We have undertaken appropriate procedures and concluded that we have no matters to include in the auditor’s report about your arrangements to secure economy efficiency and effectiveness in your use of resources and anticipate issuing an unmodified opinion. There are no issues to report.

Our findings are in the tables below.
Value for Money

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

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

We present below the findings of our work in response to additional risks identified since our audit planning report.

<table>
<thead>
<tr>
<th>What is the significant value for money risk?</th>
<th>What arrangements did the risk affect?</th>
<th>What are our findings?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Council is developing an Enterprise Centre, a £6-8 million capital project that will require investment from the Council, along with significant officer resource to support. The aim is to have the Centre open and operating in 2020.</td>
<td>Deploying resources in a sustainable manner. Take informed decisions and Work with partners and other third parties.</td>
<td>From our review of the arrangements, we consider that Members were sufficiently appraised of the risks and costs and funding of the project. In particular, we highlight good governance arrangements for the project, including: • The Outline Business Case for the Enterprise Centre which is in line with the Council’s main objectives and considers the wider impact of on the UK economy; • Council reports which include sensitivity analysis for the impact of cost overruns and the funding arrangements from South-East Midlands Local Enterprise Partnership (SEMLEP); • The Council highlighted to Members the evaluation of a range of options as to whether to proceed with the Enterprise Centre and the impact on reserves and borrowing requirements when the requested European Regional Development Funding grant was not forthcoming; • We note that the 2019/20 Medium Term Financial Plan was prudent in not assuming SEMLEP Funding; • The Council included an option for reconsidering the project should SEMLEP funding not be forthcoming; • The Council had a comprehensive risk register which covers a wide range of risks; • The Council has sought and acted upon external advice recognising limitations within its own technical capacity; and • Performing appropriate due diligence for the purchase of land for the Enterprise Centre and the governance arrangements for the tendering process to build the Enterprise Centre.</td>
</tr>
<tr>
<td>The Council has not undertaken a project as large as this in the past.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Given the significance of this development the effectiveness of governance and risk management arrangements related to the development are crucial.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We note that with the Enterprise Centre proceeding, that the Council is considering establishing a separate revenue reserve to mitigate specific Enterprise Centre revenue risks. Given that the Council is forecasting rental income to increase from £0.2 million to £0.5 million from 2020/21 to 2023/34, we consider to be a prudent approach.

We have concluded therefore that there was evidence of reasonable arrangements to inform the decision-making process.

We therefore have no matters to report.
## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as: 

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

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

We present below the findings of our work in response to additional risks identified since our audit planning report.

<table>
<thead>
<tr>
<th>What is the significant value for money risk?</th>
<th>What arrangements did the risk affect?</th>
<th>What are our findings?</th>
</tr>
</thead>
<tbody>
<tr>
<td>In June 2017, the Council acquired a key strategic site in the centre of Rushden, occupied by the retailers Wilko and Iceland. The purchase is part of the Council’s Enterprising East Northamptonshire initiative, which is seeking to drive economic growth across the district. The Council aimed through the purchase to generate income to replace reduced funding by central government.</td>
<td>Deploying resources in a sustainable manner, taking informed decisions and working with partners and other third parties.</td>
<td>From our review of the arrangements, we consider that Members were sufficiently appraised of the risks and costs and funding of the project. We noted the:</td>
</tr>
<tr>
<td>• Consistency of key strategic documents feeding through from the Business Plan to the Commercial Strategy and Investment Strategies to Treasury Management and Investment Strategies and to the Medium Term financial Plan;</td>
<td>• That the Authority demonstrated sound due diligence in seeking and evaluating the appropriate legal and technical advice as well as guidance from surveyors prior to the purchase of the investment property;</td>
<td>• Reporting to Members was appropriate to enable effective decision making;</td>
</tr>
<tr>
<td>• Specific risk register maintained for the acquisition of this property which contained a RAG rating and actions for each risk; and</td>
<td>• The Council has recorded income as anticipated within the lease agreements within its budgets pending rent reviews to take place at pre-specified times.</td>
<td>We note that rent reviews are due in December 2020. Members should monitor the outcome of the reviews and assess arrangements in place to address any risks to future revenues from, for example, downturns in economic forecasts and associated fragility in the retail sector.</td>
</tr>
<tr>
<td>• The Council has recorded income as anticipated within the lease agreements within its budgets pending rent reviews to take place at pre-specified times.</td>
<td>We have concluded therefore that there was evidence of reasonable arrangements to inform the decision-making process.</td>
<td>We therefore have no matters to report.</td>
</tr>
</tbody>
</table>
## Looking forward

Local government reorganisation in Northamptonshire has been put on hold for another year. It was decided in May 2019, that the shadow unitaries will now operate from 1 April 2020, rather than 1 April 2019 and the two new unitary councils will be fully operational from April 2021.

We will therefore consider preparations for these new arrangements as part of our 2019/20 risk assessment.
06 Other reporting issues
Other reporting issues

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

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

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

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

We requested amendments to ensure that Statement complies with the Code of Practice. These amendments have yet to be discussed and agreed with management.

As regards the Narrative Report, we made suggestions to the Council for improvements to the context to the Report and including its key performance indicators by which it measures itself and giving an indication of the extent it is meeting its performance targets along with the and the provision of comparative data. These suggestions have yet to be discussed and agreed with management.

We have no other matters to report as a result of this work.

Whole of Government Accounts

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

As the Council falls below the £500 million threshold for review as per the NAO’s group instructions, we are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

We have completed the return for the NAO. As the Council falls below the threshold for audit, no further work in required in this area.
Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. To date we have not identified any issues.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council’s financial reporting process. They include the following:

• Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
• Any significant difficulties encountered during the audit;
• Any significant matters arising from the audit that were discussed with management;
• Written representations we have requested;
• Expected modifications to the audit report;
• Any other matters significant to overseeing the financial reporting process;
• Findings and issues around the opening balance on initial audits (if applicable);
• Related parties;
• External confirmations;
• Going concern;
• Consideration of laws and regulations; and
• Group audits

We have no other matters to report.
Assessment of Control Environment
Assessment of Control Environment

**Reliance on internal audit**

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice.

Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. However, wish to report the following areas where improvements could be made to the operation or design of controls.

**Quality Control Review of the Financial Statements**

The Council undertook a quality review of the financial statements as evidenced by submissions prior to 31 May. Management, however, only undertook a rigorous review of the working papers after 31 May. This review highlighted an error in mapping to the financial statements from the ledger leading to an incorrect analysis of gross Cost of Services figures which has since been pointed out to us by management and corrected. However, this delayed our agreement of closing balances to the Trial Balance and delayed our ability to select appropriate materiality levels to determine our sample selection for key areas covering income, expenditure, debtors, and creditors.

All working papers had been prepared but with the departure of a key member of staff who had a substantial role in the compilation of the papers, new staff in key positions had to familiarise themselves with work undertaken. This together with us as new external auditors with a differing approach to the work has led to delays on both sides in progressing the audit. Clearly, both parties can progress work to ensure greater compatibility by the time the next set of statements are prepared.

We recommend that for 2019/20, the Council ensures that responsibilities for working papers are clearly defined and undertakes an independent quality review of the supporting documents and audit trails by 31 May to ensure that they support the financial statements.

**Oversight and Review of Journals**

In KPMG’s IAS 260 report from July 2018, our predecessor auditor reported that once a user is granted access to the financial systems, there is no formal review process before a journal is posted, or any limitations on the amount or type of journal. This gives rise to a risk that an individual could post an incorrect or inappropriate journal without undergoing review. This risk is mitigated by the budgetary controls in place at the Council, and in some cases, there is a retrospective review of journal entries however this is not consistent across the Council. Management have not acted to address this weakness in 2018/19. we have undertaken additional testing to audit higher risk journals.

We recommend that the Council establishes arrangements to provide oversight and review of journals above a specified sum.
08 Data Analytics
Use of Data Analytics in the Audit

Data analytics

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Council's audit included testing journal entries, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.
Data Analytics

**Journal Entry Data Insights**

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.
Independence
We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report tabled at the 27 March 2019 Governance and Audit Committee meeting.

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

We consider that our independence in this context is a matter which you should review, as well as us. It is important that the Governance and Audit Committee considers the facts known to you and comes to a view.

If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of Governance and Audit Committee on 25 September 2019.
Independence

Relationships, services and related threats and safeguards

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

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.
We confirm that none of the services listed below has been provided on a contingent fee basis.
As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.
As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019. We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Final Fee 2018/19</th>
<th>Planned Fee 2018/19</th>
<th>Scale Fee 2018/19</th>
<th>Final Fee 2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Audit Fee – Code work</td>
<td>TBC*</td>
<td>34,673</td>
<td>34,673</td>
<td>45,030</td>
</tr>
<tr>
<td>Non-audit services – Housing Benefit Subsidy Claim Certification</td>
<td>TBC **</td>
<td>4,500</td>
<td>Not Applicable</td>
<td>5,742</td>
</tr>
<tr>
<td><strong>Total fees</strong></td>
<td>TBC</td>
<td>39,173</td>
<td>Not Applicable</td>
<td>50,772</td>
</tr>
</tbody>
</table>

*As reported in the audit planning report, we anticipate additional fees in relation to the changes in scope regarding significant and other risks identified, and the additional testing arising from this being a first year audit, which is not factored in to the scale fee. We will discuss these fees with management in the first instance, before agreeing them with you and requesting approval from Public Sector Audit Appointments (PSAA).

** The fee for housing benefit work is the base fee and does not include any extended testing; however in the past some extended testing has always been required in order to comply with DWP expectations, so the actual fee is likely to be higher. From 2018-19 onwards the work falls outside the PSAA regime and is subject to a separate fee proposal and engagement terms.
10 Appendices
## Required communications with the Audit Committee

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

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terms of engagement</td>
<td>Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</td>
<td>The statement of responsibilities serves as the formal terms of engagement between the PSAA’s appointed auditors and audited bodies</td>
</tr>
<tr>
<td>Our responsibilities</td>
<td>Reminder of our responsibilities as set out in the engagement letter.</td>
<td>Audit Planning Report - 16 November 2018 and 27 March 2019</td>
</tr>
<tr>
<td>Planning and audit approach</td>
<td>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</td>
<td>Audit Planning Report - 16 November 2018 and 27 March 2019</td>
</tr>
</tbody>
</table>
| Significant findings from the audit | ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures  
▶ Significant difficulties, if any, encountered during the audit  
▶ Significant matters, if any, arising from the audit that were discussed with management  
▶ Written representations that we are seeking  
▶ Expected modifications to the audit report  
▶ Other matters if any, significant to the oversight of the financial reporting process | Audit Results Report - 25 September 2019                                                                                                                                                                         |
# Appendix A

<table>
<thead>
<tr>
<th>Required communications</th>
<th></th>
<th>When and where</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Going concern</strong></td>
<td>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</td>
<td>No conditions or events were identified, either individually or together to raise any doubt about East Northamptonshire Council’s ability to continue for the 12 months from the date of our report</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Misstatements</strong></td>
<td>Uncorrected misstatements and their effect on our audit opinion</td>
<td>Audit Results Report - 25 September 2019</td>
</tr>
<tr>
<td></td>
<td>The effect of uncorrected misstatements related to prior periods</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A request that any uncorrected misstatement be corrected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Material misstatements corrected by management</td>
<td></td>
</tr>
<tr>
<td><strong>Subsequent events</strong></td>
<td>Asking the Audit Committee where appropriate about whether any subsequent events have occurred that might affect the financial statements.</td>
<td>Audit Results Report - 25 September 2019</td>
</tr>
<tr>
<td><strong>Fraud</strong></td>
<td>Asking the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</td>
<td>Audit Results Report - 25 September 2019</td>
</tr>
<tr>
<td></td>
<td>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Management;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Employees who have significant roles in internal control; or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. Others where the fraud results in a material misstatement in the financial statements.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Any other matters related to fraud, relevant to Audit Committee responsibility.</td>
<td></td>
</tr>
</tbody>
</table>
# Appendix A

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
<tbody>
<tr>
<td>Related parties</td>
<td>Significant matters arising during the audit in connection with the Authority’s related parties including, when applicable:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Non-disclosure by management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Inappropriate authorisation and approval of transactions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Disagreement over disclosures</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Non-compliance with laws and regulations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Difficulty in identifying the party that ultimately controls the Authority</td>
<td>Audit Results Report – 25 September 2019</td>
</tr>
<tr>
<td>Independence</td>
<td>Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, objectivity and independence.</td>
<td>Audit Planning Report - 16 November 2018 and 27 March 2019</td>
</tr>
<tr>
<td></td>
<td>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</td>
<td>Audit Results Report – 25 September 2019</td>
</tr>
<tr>
<td></td>
<td>- The principal threats</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Safeguards adopted and their effectiveness</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- An overall assessment of threats and safeguards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Information about the general policies and process within the firm to maintain objectivity and independence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix A

### Our Reporting to you

| Required communications | What is reported?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | When and where                                                                                     |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------
| External confirmations   | • Management’s refusal for us to request confirmations  
• Inability to obtain relevant and reliable audit evidence from other procedures.                                                                                                                                                                                                                                                                                                | All confirmations requested have been received                                                          |
| Consideration of laws and regulations | • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur  
• Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of | We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations |
## Appendix A

### Our Reporting to you

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group Audits</strong></td>
<td>• An overview of the type of work to be performed on the financial information of the components&lt;br&gt;• An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components&lt;br&gt;• Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work&lt;br&gt;• Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted&lt;br&gt;• Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</td>
<td>Audit results report</td>
</tr>
<tr>
<td><strong>Written representations we request from management and/or those charged with governance</strong></td>
<td>• Written representations we request from management and/or those charged with governance</td>
<td>Audit Results Report – 25 September 2019</td>
</tr>
<tr>
<td><strong>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</strong></td>
<td>• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</td>
<td>Audit Results Report – 25 September 2019</td>
</tr>
<tr>
<td><strong>Auditors report</strong></td>
<td>• Any circumstances identified that affect the form and content of our auditor’s report</td>
<td>Audit Results Report – 25 September 2019</td>
</tr>
<tr>
<td><strong>Fee Reporting</strong></td>
<td>• Breakdown of fee information when the audit planning report is agreed&lt;br&gt;• Breakdown of fee information at the completion of the audit&lt;br&gt;• Any non-audit work</td>
<td>Audit Planning Report - 16 November 2018 and 27 March 2019&lt;br&gt;Audit Results Report - 25 September 2019</td>
</tr>
<tr>
<td><strong>Certification work</strong></td>
<td>• Summary of certification work</td>
<td>Certification Report</td>
</tr>
</tbody>
</table>
## Appendix B

### Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

<table>
<thead>
<tr>
<th>Item</th>
<th>Actions to resolve</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding audit queries</td>
<td>At the date of the release of this report, a number of areas of testing are ongoing. We are working with management to progress in advance of the 25 September Governance and Audit meeting. We provide the most significant items below. We will provide an update during the meeting on their status, as well as any additional findings arising if relevant.</td>
<td>EY and management</td>
</tr>
<tr>
<td>Response to Partner In In Charge and Management Review of the Financial Statements</td>
<td>Completion of analytical review queries and general queries on material items to the accounts</td>
<td>EY and management</td>
</tr>
<tr>
<td>The completion of our procedures to test the calculations of investment assets for 2018/19;</td>
<td>Awaiting results of review from EY Real Estates</td>
<td>EY</td>
</tr>
<tr>
<td>The completion of procedures concerning the Local Government Pension Scheme following our review of the updated actuary reports arising from the potential for material impact on the pension liability arising McCloud/ Sergeant, Guaranteed Minimum Pension and changes in the estimate for the Authority’s share of Pension Fund Assets;</td>
<td>Awaiting and IAS 19 assurances from the local government pension fund auditor. We are working through working papers received.</td>
<td>EY and management</td>
</tr>
<tr>
<td>Collection Fund</td>
<td>We received most of the working papers on Friday 13 September 2019 and are working through these.</td>
<td>Management and EY</td>
</tr>
<tr>
<td>National Non-Domestic Rating Provision and Prior Period adjustment</td>
<td>Review of working papers from the Council. Queries with management</td>
<td>Management and EY</td>
</tr>
<tr>
<td>PPE valuations and capital additions</td>
<td>Queries with management</td>
<td>Management</td>
</tr>
<tr>
<td>Remuneration Report and Exist Costs</td>
<td>Queries with management</td>
<td>EY and management</td>
</tr>
<tr>
<td>Debtors and creditors</td>
<td>Queries with management. Unable to locate relevant staff to issue samples</td>
<td>EY and management</td>
</tr>
</tbody>
</table>
### Appendix B

## Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

<table>
<thead>
<tr>
<th>Item</th>
<th>Actions to resolve</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income and Expenditure and Grant Income testing</td>
<td>Evidence for some of the samples awaited</td>
<td>Management and EY</td>
</tr>
<tr>
<td>Reserves</td>
<td>Queries with management</td>
<td>Management and EY</td>
</tr>
<tr>
<td>Financial Instruments</td>
<td>Queries with management</td>
<td>Management and EY</td>
</tr>
<tr>
<td>Cash Flow Statement</td>
<td>Queries with management</td>
<td>EY and management</td>
</tr>
<tr>
<td>Journals</td>
<td>EY are progressing</td>
<td>EY</td>
</tr>
<tr>
<td>Review of the final set of the financial statements</td>
<td>Receipt and review of the final version of the accounts</td>
<td>EY and management</td>
</tr>
<tr>
<td>Completion of subsequent events review</td>
<td>Completion of subsequent events procedures to the date of signing the audit report</td>
<td>EY and management</td>
</tr>
<tr>
<td>Final Manager and Engagement Partner reviews</td>
<td>Final Engagement Leader and Manager review of the final position on concluded work, audit adjustments and reporting</td>
<td>EY</td>
</tr>
<tr>
<td>Whole of Government Accounts submission; and</td>
<td>Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission</td>
<td>EY</td>
</tr>
<tr>
<td>Receipt of the signed management representation letter.</td>
<td>Receipt of signed management representation letter</td>
<td>Management and Governance and Audit Committee</td>
</tr>
</tbody>
</table>
Appendix C

Management representation letter

A. Financial Statements and Financial Records
1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as members of management of the 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 (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements. As members of management of the Council, we believe that the Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.

4. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

B. Non-compliance with law and regulations, including fraud
1. We acknowledge that we are responsible to determine that the Council’s activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   • Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   • Additional information that you have requested from us for the purpose of the audit; and
   • Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: XXXX 2019.

D. Liabilities and Contingencies

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

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. Other than described in 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.
Appendix C

Management representation letter

F. Other information
1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor’s report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Ownership of Assets
1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Authority’s assets, nor has any asset been pledged as collateral. All assets to which the Authority has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the Authority financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

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

I. Contingent Liabilities
1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

J. Use of the Work of a Specialist
1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment, the IAS19 actuarial valuations of pension fund liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

K. Estimates
Pension Liability and PPE Valuations Estimate
1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We confirm that the significant assumptions used in making the estimates for PPE and Pensions Liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.
Appendix C

Management representation letter

4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

L. 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,

_______________________
Executive Director: Resources and Commercial

_______________________
Chair of the Governance and Audit Committee

Schedule of Uncorrected Misstatements
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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