

# Havant Borough Council

Audit results report for the year ended 31 March 2014

September 2014

Ernst & Young LLP



Building a better  
working world

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3 September 2014

## **Audit results report**

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 Havant Borough Council's (the Council's) financial position and results of operations for the year ended 31 March 2014. We will issue our final conclusion after the Governance and Audit Committee scheduled for 16 September 2014.

The audit is designed to express an opinion on the 2013/14 financial statements, reach a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and significant deficiencies in internal control.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee meeting scheduled on 16 September 2014.

Yours faithfully  
For and on behalf of Ernst & Young LLP

**Helen Thompson**  
Ernst & Young LLP  
**United Kingdom**  
Enc.

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

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

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

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

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

## 1. Overview of the financial statement audit

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

As auditors we are responsible for:

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

We also report to the National Audit Office (NAO) under its group instructions.

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

### Financial statements

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

#### Significant risks:

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##### Significant risk – Risk of Management Override:

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

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.

**There are no significant issues that we need to report to you.**

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##### Significant risk- National Non-Domestic Rates (NNDR) rateable value appeals provision:

###### Risk

The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme half of the business rates collected by councils will be retained locally and half paid over to central government. The potential cost of successful rateable value appeals is significant to the Council. There is also a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.

Our work focussed on reviewing the accounting transactions made and assessing the reasonableness of the estimation made.

**There are no significant issues that we need to report to you.**

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### Control themes and observations

Our audit identified a number of control themes, the most significant of which are detailed within section 3 of this report. The issues reported did not result in any material misstatement but did indicate a reduced level of control over the production of the financial statements.

### Summary of audit differences

Our audit identified a small number of misstatements in the accounts presented for audit. The most significant of which are detailed in section 3 of this report. In addition we have reported a small number of minor issues from our IT controls testing to the Corporate Accountancy Team Leader.

**Economy, efficiency and effectiveness**

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

**Whole of Government accounts**

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

**Audit certificate**

The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

## 2. Scope update

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan that we issued in June 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

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

Additional work was required to address the issues identified in section 3 of this report. We will need to quantify the extent of this additional work and discuss the impact on the planned fee. We will update the Governance and Audit Committee through the Annual Audit Letter.

### 3. Significant findings from the financial statement audit

In this section of our report, we outline the main findings from our audit of your financial statements, including our conclusions in relation to the areas of risk outlined in our Audit Plan.

#### Significant risk 1 – Risk of Management Override

##### Risk

As identified in International Standards on Auditing 240 UK & Ireland (ISA 240 UK&I), management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records 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:

- ▶ tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ reviewed accounting estimates for evidence of management bias; and
- ▶ evaluated the business rationale for significant unusual transactions

##### Our approach focussed on:

- ▶ Considering the representations from management, internal audit and the Governance and Audit Committee.
- ▶ Reviewing significant non-routine year end transactions and estimates including journals, accruals, provisions and cut off arrangements.

##### Our findings:

- ▶ We have received the requested assurances and our review of these has not identified any new risks.
- ▶ Our testing did not highlight any significant issues in this area.

#### Significant risk 2 – National Non Domestic Rates (NNDR) rateable value appeals provision

##### Risk

The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme half of the business rates collected by councils will be retained locally and half paid over to central government.

The level of NNDR paid on business property depends on its 'rateable value'. This is calculated by the Valuation Office Agency (VOA).

Where local businesses believe the current value for business properties is wrong they can:

- ▶ appeal to the VOA and ask them to correct details
- ▶ appeal the rates if the local business and the VOA can't agree. This appeal is heard by a valuation tribunal.

Where rating appeals are successful, monies to settle the appeals will come out of the Council's funds and will also impact on other local public bodies that precept on the Council. This includes not only claims from 1 April 2013 but also claims that relate to periods before the introduction of the business rates retention scheme. As appeals are to the Valuation Office, authorities may not be aware of the level of claims. Appeals can be speculative in nature and multiple appeals can be made against the same property and valuation on different grounds.

The potential cost of successful rateable value appeals is significant to the Council. There is also a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.

We:

- ▶ sought to understand and assess the reasonableness of the Council's methodology in estimating any planned provision in respect of rateable value appeals outstanding at the balance sheet date.
- ▶ considered both the completeness and accuracy of the data on the number of appeals outstanding and the basis for the assumptions made by the Council on the likelihood of success.

##### Our approach focussed on:

- ▶ Reviewing the assumptions the Council used when calculating their estimate.
- ▶ Reviewing the completeness of the appeals included in the Council's estimate.

##### Our findings:

- ▶ Our testing did not highlight any significant issues in this area
- ▶ Our testing did not highlight any significant issues in this area.



As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal of internal control we are required to communicate to you significant deficiencies in internal control.

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

Additionally, as required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to bring to your attention any:

- ▶ significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ significant difficulties encountered during the audit;
- ▶ written representations that we are seeking; and
- ▶ related parties issues identified.

Our findings in relation to these control themes are documented in the table below:

Area of testing	Details
General	There were a substantial number of working papers that were not completed and were therefore unavailable at the start of our audit. Working papers to support the accounts were received on a piecemeal basis throughout the audit which had a significant impact on the efficiency of the audit. Additional auditor and officer time has subsequently been required through the audit process, particularly where there have been a number of iterations of the same working paper. We will continue to work with the Corporate Accountancy Team Leader to agree our working paper requirements as part of the Council's closedown and financial statements preparation process for 2014/15.
Enquiries of management and those charged with governance	<p>ISA240 requires auditors, as part of planning procedures, to formally update their understanding of management processes and how those charged with governance exercise control over these processes.</p> <p>We discharged this responsibility by writing to the Council on 24 February 2014. To inform our planning procedures a response was requested by 11 April 2014. However, despite requesting this on a number of occasions, no response was received until mid July.</p>
Additions and cross checking	Our initial testing highlighted an increased number of casting and cross referencing issues when compared to previous years. These were not of a material nature and the relevant corrections have been made.
Data Analytics	<p>Data analytics are an integral part of our audit and involves the Council submitting a full download from both the general ledger and the payroll system.</p> <p>The Council failed to submit the general ledger data by the</p>

Area of testing	Details
	agreed deadline. Additionally, the payroll data had to be submitted, and subsequently processed by us, four times due to the Council sending incomplete data sets.
Related Party Transactions	Our audit identified a significant number of Councillors and members of the Executive team who had failed to return their annual related party transaction declaration. At the time of writing there remain six Councillors who had failed to return their declaration. We will seek specific representation from the Council to confirm there are no undisclosed related parties.
Fixed Asset Register	The Council maintains a fixed asset register which records all of the Council's assets along with any associated impairments, revaluations and depreciation charges. However, for land and building the register is not sufficiently disaggregated to meet the requirements of component accounting as required by International Accounting Standard 16 (IAS16).

### 3.1.1 Summary of Audit Differences

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

We have asked the Council to correct all misstatements over £57,554. We have included all amounts greater than approximately £1.1 million relating to the Council in our summary of misstatements below.

#### Corrected Misstatements

Our audit did not identify any material misstatements to the comprehensive income and expenditure statement or the statement of financial position within the draft statements. We highlight below the following misstatements to disclosure notes in the draft financial statements which are material in value but had no impact on the Council's reported out-turn position:

- ▶ Note 34 – Leases – Due to the Council using an incorrect rent figure, an adjustment was required to correct the minimum lease payments due to the Council. The most significant of was to “amounts due later than five years”, which was reduced by £2.1 million.
- ▶ Note 6 – Material items of income and expenditure – The income and expenditure relating to pensions income and expenditure and balance sheet liabilities were amended from £16.3 million to £17.2 million and £13.7 million to £14.5 million respectively.
- ▶ Compared to previous years there was an increase in the number of non material adjustments that were required to the draft statements that were presented for audit. These adjustments were mainly due to casting and cross referencing errors and all corrections required have been made by management.

### **Uncorrected misstatements**

At the time of writing, we have not identified any uncorrected misstatements that are individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2014.

## 4. Economy, efficiency and effectiveness

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

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

We did not identify any significant risks to the value for money conclusion, but we did identify one other risk regarding the ongoing financial pressures facing the Council in our Audit Plan. The table below summarises the findings from our work:

### Other Risk – Council Finances

The Council is facing ongoing financial pressures, with reliance on the new homes bonus to deliver 2014/15 and a budget gap from 2015/16.

Impacts on arrangements for securing economy efficiency and effectiveness and financial resilience

#### Our approach focussed on:

- ▶ reviewing your 2014/15 annual budget, and medium term forecast assumptions; and
- ▶ discussing the budget gaps from 2015/2016 and the Council's plans to address them.

#### Our findings:

- ▶ The Council delivered its 2013/14 budget.
- ▶ A budget has been set for 2014/15 to deliver a surplus of £0.5 million. This includes fully utilising the new homes bonus available to the Council.
- ▶ The future is more challenging and the current medium term financial strategy (MTFS) highlights a gap of £0.685 million in 2015/16 (again using the entire new homes bonus available to the Council), rising to £1.38 million in 2018/19. There are a number of projects in place which the Council believe will contribute to bridging the gap. However, there is also a possibility that general fund balances will need to be used.
- ▶ As part of bridging the gap the Council is implementing a Service Futures Programme to review efficient service delivery. Part of this project will also be to identify new revenue streams to help bridge the gap.

The Council has made reasonable assumptions in their MTFS. However, it should ensure that there are plans in place should funding streams or methods of funding change in the future.

## 5. Status of our work

### 5.1 Financial statement audit

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

Item	Actions to resolve	Responsibility
Letter of representation	<ul style="list-style-type: none"> <li>▶ To be tabled at the Governance and Audit Committee on 16 September 2014.</li> </ul>	Management and Governance and Audit Committee
Annual accounts	<ul style="list-style-type: none"> <li>▶ Incorporation of EY review comments on disclosure notes.</li> <li>▶ Review of year end reconciliations.</li> <li>▶ Agreement of senior officer remuneration to the payroll system.</li> <li>▶ Approval of accounts by Governance and Audit Committee.</li> <li>▶ Accounts re-certified by the Executive Head of Governance and Logistics.</li> </ul>	Management, Governance and Audit Committee and EY

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

### 5.2 Economy, efficiency and effectiveness

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

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

### 5.3 Objections

At the date of writing this report we have received no objections from members of the public.

## 6. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2013/14 £'000	Planned fee 2013/14 £'000	Scale fee 2013/14 £'000	Explanation of variance
<b>Total Audit Fee – Code work</b>	<b>To be determined</b>	<b>61,500</b>	<b>61,500</b>	
Certification of claims and returns	12,320*	12,320	12,320	

*\*Our fee for certification of grants and claims is yet to be finalised for 2013/14 and will be reported to those charged with governance in December 2014 within the Annual Certification Report for 2013/14.*

Our final fee is yet to be determined. The additional work required to address the issues raised in section 3 of this report led to a significant increase in the volume of testing required. We will assess what effect this had on our fee, taking into account the support received from the Council's Finance team.

## 7. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 6 June 2014. We complied with the Auditing Practice's Board's Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Governance and Audit Committee on 16 September 2014.

## Appendix A Required communications with the Governance and Audit Committee

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

Required communication	Reference
<b>Terms of engagement</b>	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
<b>Planning and audit approach</b>	
Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
<b>Significant findings from the audit</b>	Audit Results Report
<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process)</li> </ul>	
<b>Misstatements</b>	Audit Results Report
<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	
<b>Fraud</b>	Letter from Chair of Governance and Audit Committee
<ul style="list-style-type: none"> <li>▶ Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	
<b>Related parties</b>	Audit Results Report
Significant matters arising during the audit in connection with the entity's related parties including, when applicable:	
<ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	
<b>External confirmations</b>	Not Applicable
<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	



Required communication	Reference
<b>Consideration of laws and regulations</b>	
<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Governance and 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 Committee may be aware of</li> </ul>	<p>Letter from Chair of Governance and Audit Committee</p>
<b>Independence</b>	
<p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p>	<p>Audit Plan and update in section 7 of this report</p>
<p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p>	
<ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	
<b>Going concern</b>	
<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p>	<p>Audit Results Report</p>
<ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	
<b>Significant deficiencies in internal controls identified during the audit</b>	<p>Audit Results Report</p>
<b>Fee reporting</b>	
<ul style="list-style-type: none"> <li>▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body).</li> </ul>	<p>Audit Plan, Audit Results Report and Annual Audit Letter</p>
<b>Summary of certification work undertaken</b>	
<ul style="list-style-type: none"> <li>▶ Annual report to those charged with governance summarising the certification work undertaken</li> </ul>	<p>Annual Certification Report – to be issued in December 2014.</p>

## Appendix B Letter of representation

To:  
Helen Thompson  
Director  
Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB

### **Havant Borough Council - Audit for the year ended 31 March 2014**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Havant Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2014:

#### **A. Financial Statements and Financial Records**

I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).

I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. I have approved the financial statements.

I confirm that as the Responsible Officer I have:

- ▶ reviewed the accounts;
- ▶ reviewed all relevant written assurances relating to the accounts; and
- ▶ made other enquiries as appropriate.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

#### **B. Fraud**

I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

I 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. Compliance with Laws and Regulations**

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

#### **D. Information Provided and Completeness of Information and Transactions**

I have provided you with:

- ▶ access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
- ▶ additional information that you have requested from us for the purpose of the audit; and
- ▶ unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

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

I 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: 16 September 2014.

I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

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.

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

I 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 I have given to third parties.

#### **F. Subsequent Events**

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.

#### **G. Accounting Estimates**

I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.

In respect of accounting estimates recognised or disclosed in the financial statements:

- ▶ I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
- ▶ The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.

- ▶ The assumptions used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- ▶ No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### **H. Segmental reporting**

I have reviewed the operating segments reported internally to the Board and I am satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:

- ▶ The nature of the products and services
- ▶ The nature of the production processes
- ▶ The type or class of customer for their products and services
- ▶ The methods used to distribute their products

#### **I. Going Concern**

I have made you aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

#### **Signed on behalf of Havant Borough Council**

I confirm that this letter has been discussed and agreed by the Governance and Audit Committee on 16 September 2014.

Signed:

Name: Jane Eaton

Position: Executive Head of Governance and Logistics

Date: 16 September 2014

Signed:

Name: Councillor K Smith

Position: Chairman, Governance and Audit Committee

Date: 16 September 2014

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