Agenda Item No.

3

HERTFORDSHIRE COUNTY COUNCIL

AUDIT COMMITTEE
FRIDAY, 19 JULY 2019 AT 2:00PM

AUDIT RESULTS REPORT: ACCOUNTS 2018/19

Report of the Director of Resources

Author:- Ben Jay, Head of Corporate Finance
(Tel: 01992 556257)

Executive Member:- Ralph Sangster, Resources and Performance Portfolio

1. Purpose of report

1.1 Each year, the Council has a statutory requirement to prepare a Statement of Accounts and to have that statement independently audited.

1.2 This report provides a summary of the key points arising during that audit for the accounts for the year 2018/19 and the Council's response to those points. It reflects the formal report provided by the independent auditor, as presented at item 2 of the Agenda.

1.3 The Committee should note that the meeting will take place before the formal completion of the audit and the statutory deadline of the 31 July. The report will therefore request delegation for the formal sign off of the final version of the accounts, should this be required.

2. Summary

2.1 The Committee received the audit plan from the independent auditor at its meeting in March. The audit has progressed in line with that plan, and this report provides an update on the current position. Further issues have arisen during the course of the audit that was not included in the audit plan, and an update is provided.

2.3 The report also sets out details of changes that have been made to the pre-audit accounts which were published on the Council website at the end of May 2019, in line with statutory requirements. The Committee is invited to consider and agree these, as set out at appendix A to this report.

3. Recommendations

3.1 The Committee is asked:

Regarding the progress of the audit review -

I. To note the progress update on the activity of the audit.

II. To note that it is expected that the audit will be concluded by the deadline.

Regarding accounting issues raised by the audit review -

III. To agree the County Council position on the issues arising during the audit.

IV. To agree the changes set out in this report proposed to be made to the pre-audit accounts, also included on this agenda.

Regarding the finalisation of the audit process and the signing of the accounts –

V. To agree that the final signing of the accounts in advance of the statutory deadline of 31 July 2019, once all audit work and any further necessary adjustments to the accounts are made, is delegated to the Director of Resources (as Chief Finance Officer) or, in his absence, the Assistant Director of Finance (as Deputy Chief Finance Officer) and the Chair of this Committee, or, in her absence, the Vice-Chair of the Committee.

VI. To agree that any necessary changes made between the Committee meeting and the final signing of the accounts are reported back to the next meeting of the Committee.

Regarding the audit fee -

VII. To support the Director of Resources in resisting additional charges for the audit.

Regarding the Letter of Representation -

VIII. To note the Letter of Representation to be signed by the Director of Resources and the Chair of the Committee (or, in her absence, the Vice Chair)

2. Background

2.1 Accounts are prepared by the Council each year, as required under statute. A detailed national guidance manual is provided, updated each year, to assist in this process[1]. The accounts are required to be audited by an independent auditor, who is appointed by the Public Sector Audit Appointments (PSAA – which inherited this responsibility from the Audit Commission). The National Audit Office takes a role in the oversight of this process.

2.2 The audit of the 2018/19 accounts is the second year in which local government is working with shorter deadlines. The previous deadlines were 30 June each year for the preparation of the accounts, and conclusion of the audit to be finalised by 30 September. This has been brought forward to 31 May and 31 July. The earlier deadlines are a significant logistical and technical challenge, which has largely been met through an earlier start point – the audit work now commences during the year (in November) and undertakes significant levels of testing through the November to February period, leaving less testing work to be undertaken in June and July.

2.3 The audit last year was also overshadowed by media coverage of significant financial pressures in local government and the wider public sector. This included the financial crisis at Northamptonshire County Council and the scrutiny of the role of the external auditor at that authority, and the collapse of Carillion and the subsequent Public Accounts Committee criticism of the role of audit firms in that organisation.

2.4 In that context, PSAA pointed to a number of areas of audit activity where councils place reliance on the input of third parties (for example, in valuation of property plant and equipment, or actuarial valuation of pensions assets and liabilities). This has clearly shaped the approach taken by EY at HCC, both in the last year and also in this year. The relevant extract is shown below.

The principal issues resulting from the [FRC's Audit Quality Review Team (AQRT)] reviews of financial statement audits, across all the firms, following this year's programme of work for PSAA were:
- *[...] insufficient challenge and independent corroboration of management experts' valuations of property, plant and equipment (PPE) and other fixed assets, including approach to beacon properties;*
- *[…] insufficient audit work over the valuation and allocation of pension scheme assets, testing of information (including non-financial data) provided to actuaries and direction and review of the pension fund auditor*[2]

[1] This is the CIPFA/LASSAAC Code of Practice on Local Authority Accounting in the United Kingdom (2018/19).
[2] Public Sector Audit Appointments, Annual Regulatory Compliance and Quality Report: EY LLP, July 2018, paragraph 15, p6-7.

3. Analysis and issues

3.1 A number of issues arising from the audit of the 2018/19 accounts are covered in the paragraphs below, which are:

- Valuation of pension assets
- Valuation of pension liabilities
- Valuation property plant and equipment
- Treatment of pooled assets under IFRS9

Pensions

3.2 A number of estimates are required to be made of the current net assets and liabilities for the Council's obligations to members of the Local Government Pension Scheme. These estimates include a range assumptions including for example the longevity of scheme members, new members joining, and salary changes. These assumptions are applied over a very long time period, and then analysed to assess their value in the present, for the purposes of the accounts.

3.3 These estimates are prepared as part of the 'IAS19' report which is compiled by the actuary (Hymans Robertson) and provided to the Council. The report and its supporting calculations are extremely complex, and, of necessity, make a range of assumptions in order complete the calculation. These figures must be considered the best estimates possible using the available information, but are sensitive to changes in the assumptions used.

3.4 The net liability of the scheme for the Council is shown in the accounts as £1.214bn (balance sheet, accounts p20 and also note 37, p102 - £1.2bn reflects the total net liability for LGPS of £690m and for Firefighters of £523m).

3.5 The sensitivity of the IAS19 report of the estimated net liability to the Council is also set out in the accounts (note 37, p105). This shows that a 0.5% movement in three key assumptions (salary increase rate, pensions contribution increase rate, and the real discount rate) would lead to an estimated £585m movement in the estimate of the net liability.

Pensions – estimated asset valuation

3.6 The value of fund assets must be estimated using latest data on investment values and, in some cases where values are more volatile, the relevant market movements affecting investments to enable an estimated value as at 31 March. The Council's accounts are prepared on the basis of an early estimate for the value of those investments, but a later estimate becomes available in late May. An amendment to the accounts is difficult until after the 31 May deadline, but can be made during the audit period.

3.7 Once later information is available, it is possible to identify that the estimated value of the assets was overstated in the pre-audit accounts to the value of £10.95m (last year, a similar assessment identified a potential understatement of £30m; these movements reflect the inevitable change in different types of investments and the difficulty of valuing them).

3.8 It is not proposed to change the value shown in the accounts due to both the volatility of the estimation (as noted above) and the materiality (£10.95m is 0.49% of the estimated value of fund assets). However, the revised value will be noted in the commentary within note 37 as non-material.

<u>Pensions – estimated liabilities valuation (McCLoud and GMP)</u>

3.9 The nature of the fund and the ability to accept new entrants is varied from time to time. A recent change to the conditions for new entrants was challenge in two legal cases, affecting Firefighters and the Courts Service. It was contended that the change to entry rights discriminated against potential new applicants on grounds of age. The appeal was upheld, implying a potential liability for the pension schemes affected.

3.10 At the time of preparing the accounts, guidance indicated that the expected appeal against this decision on behalf of Government meant that the appropriate treatment would be to recognise a contingent liability, properly included within note 37 to the accounts.

3.11 Subsequently, the Government has been denied leave to appeal, and revised guidance has been provided. This is that the liability arising from the judgement should be estimated (most usually through a revised IAS19 report) and the materiality for the accounts should be assessed, allowing a judgement to be arrived at over whether or not an adjustment is required.

3.12 The current assessment of the additional liability arising for HCC is that the highest level of liability arising from the McCloud/Sargeant transitional protection judgement is 0.07% of estimated liabilities, or £2m.

3.13 As above, based on this level of materiality, making an adjustment in the accounts would not enhance the value of the accounts to any informed reader of the accounts, and it is not proposed to make an adjustment. Rather, the level of the estimated liability will be noted.

3.14 A further issue related to scheme liabilities is the GMP (Guaranteed Minimum Pension) liability. The materiality of this is currently assessed as 0.5% of liabilities (c£14m). A detailed assessment has been commissioned and a decision on further adjustment will be made based upon materiality.

3.15 **It is not proposed to change the value reflected in the accounts unless it is judged to be material. This decision will be taken by the Director of Resources (Chief Finance Officer) in consultation with the external auditor.**

Valuation of property plant and equipment

3.16 The contract for valuation of Council property was changed from Lambert Smith Hampton (LSH) to Carter Jonas (CJ). This was identified as a potential risk in the EY audit plan.

3.17 The early work on asset valuations identified a number of substantial valuation changes. Investigation identified that this was attributable to the new valuer making different, but still professionally acceptable, choices on certain specific aspects of the asset valuation process. These choices relate almost entirely to the value placed on schools land and buildings, in particular the valuation of car parks and the application of building construction indices. These changes in values have substantially affected the value attributed to schools, and this is summarised in the table below.

Asset class	**Other land and buildings**	**Vehicles and plant**	**Infrastructure**	**Surplus**	**AuC**	**Total**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Opening net book value (NBV)	**1,955**	**27**	**742**	**189**	**2**	**2,914**
operational schools rolling programme	*236*					
schools uplift	*167*					
non-schools rolling programme	*28*			*19*		
ATRs	*2*			*-3*		
Valuation	433			16		**449**
Additions	32		86.4	3	1.2	**123**
Asset movements	7	0.9		-8	-0.9	**-1**
Depreciation	-26			-1		**-27**
Disposal	-72			-2		**-74**
	374	**0**	**57**	**8**	**0**	**440**
Closing NBV	**2,329**	**27**	**799**	**198**	**1.8**	**3,355**

3.18 The table shows that there has been a £440m increase in the value of assets, concentrated in additions to infrastructure assets (£57m) and revaluation of land and buildings (£374m). Of this, £400m related to the revaluation of schools.

3.19 To ensure that the new methodology was consistently applied across all assets, a larger proportion of asset values were reviewed than is usual. (Normal practice for the Council is to revalue assets every 3 years as part of a rolling programme (one third each year). For this year, nearly 75% of assets (by value) were reviewed.) Officers reviewed detailed valuation papers for more than 840 assets. These were discussed with the local EY team and agreed as being reasonable based on a sample of 80, but further assurance was requested by the EY local team from the EY technical team. Further review of a sample of the revaluations was undertaken by the EY technical team.

3.20 These revised values have been reviewed by EY and confirmed to be reasonable and consistent with both HCC policy and with national guidance. The position has also been confirmed by the EY technical team.

3.21 It is not proposed to make any further change to the values for property plant and equipment, as these have been prepared on behalf of the Council by an appropriate independent valuer.

<u>Valuation of pooled investment assets</u>

3.22 From time to time the regulatory framework governing the preparation of the accounts is updated. One such update is reflected in IFRS9. Under this guidance, local authority investments are required to be treated in a manner more consistent with commercial practice. However, one possible impact of this would be to have a real (ie cash) impact on financial performance from year to year arising from actual appreciation or depreciation in the value of pooled investment assets. Further to consultation, it was clear that there was widespread opposition to the idea that a change in accounting treatment might lead to a real detriment to local taxpayers.

3.23 Two alternative treatments were therefore advanced: a phased adoption of the new rules, which would allow a phased retreat from specific investments in such a way as to minimise losses during transition (a ‘statutory override’ for a limited period; or an ‘election’ to treat permanently the affected classes of assets as equity. The treatment as equity will allow asset value movements to be taken through Other Comprehensive Income and not through the Comprehensive Income and Expenditure Statement, thereby avoiding any loss to the local taxpayer. The Council chose to take the ‘election’ route, as set out in the accounts (p114).

3.24 As part of the audit review, EY have challenged whether this treatment of the pooled asset values under the ‘election’ route is correct, arguing that the detail of the contract would invalidate that conclusion. They have received technical advice that the election is not appropriate and the phased adoption (statutory override) is more appropriate and also more consistent with wider commercial practice.

3.25 The Council takes a different view, which is that the statutory override would place local taxpayers at detriment, as this change in the accounting practice would have an eventual impact on budget planning and potentially lead to service reductions. The argument that it preserves consistency with commercial practice is invalid, as taxpayers (who are under a legal obligation to pay) should not properly be compared with shareholders (who make a choice to invest or not based on an assessment of future risks and benefits).

3.26 At the time of preparing this report, this matter remains unresolved and the Council is seeking legal advice to help to resolve the position. The issue is not confined to this Council but is common to many clients of the independent treasury advisor used by the Council (Arlingclose).

3.27 It should be noted by the Committee that impact for the accounts would be for a change to disclosure in a number of places with no impact on the overall position. However, the Council currently receives benefits of c3% per year on £30m, or c £500k per year. In this way, there would be a real impact for local taxpayers in future years, as a source of income would effectively be denied to the Council, with a consequence for the wider Integrated Plan financial position and, potentially, for local taxpayers.

4. Resourcing the audit

4.1 EY have reported nationally that they will be unable to conclude audit work on time at 19 locations due to resources constraints. At present, resource constraints are not an issue for the completion of the audit work needed at this Council and it is expected that the required work will all be completed by the deadline. However, and as last year, there are a number of areas that have been identified by officers and the local audit team where further refinement of processes could be undertaken to make future work more efficient, without compromising the necessary independence of both teams.

Audit Fee

4.2 The draft audit results report sets out, at page 36, that the auditor will be seeking additional fees to be paid in respect of work on the technical elements of work on property and pensions valuations and also on PFI accounting.

4.3 It is intended by Officers that this will be resisted as the additional work actually required is not clearly explained, and, further, that these areas were flagged in the audit plan (and the original fee estimate) as being areas of specific review, and so it is to be expected that the original fee included the necessary work required to complete the review of those areas set out in the plan with no increase to the estimated fee.

4.4 It should also be noted that the bulk of the work required relating to property valuation feel to the HCC Officer team; that the pensions liability work was the subject of national discussion and advice, and not specific to the Council; and that PFI accounting has been reviewed each year and that the overall requirements and the Council's presentation of the relevant accounts has not changed. So it is unclear on what basis material additional technical review of the HCC accounts was, in fact, required by EY.

5. Changes to the pre-audit accounts

5.1 A number of small changes are intended to be been made to the pre-audit accounts that were published on the Council website further to the progress of the audit review. These are detailed in Appendix A and reflect the points made previously in this report as well as other changes.

5.2 The Committee is invited to agree to approve the proposed changes to the accounts.

5.3 It remains possible, however, that further changes arise from the remaining audit work not yet completed between the Committee meeting and the statutory deadline.

5.4 **In which case (and as last year) it is requested that the Committee agrees that the signing of the accounts for those final amendments is delegated to the Director of Resources (Chief Finance Officer), or, in his absence the Assistant Director Finance (as Deputy Chief Finance Officer), and also to the Chair of the Audit Committee, or, in her absence, the Vice-Chair of the Committee.**

5.5 Should further changes be required, it is recommended that the final version of the accounts is brought to the September Committee meeting.

6. Conclusion

6.1 This report sets out the position regarding progress against the audit plan submitted by the external auditor in the March meeting of the Committee. It notes that there is good progress against that plan, and that it is expected that the accounts will be signed off by the deadline.

6.2 It also notes a number of technical matters that have arisen, including matters affecting the estimation of pension liability and pension assets, the valuation property, and the treatment of certain types of pooled investment. Officers have resolved all but one of these issues with the audit team, and the outstanding matter (treatment of pooled investments) is not expected to delay the finalisation of the accounts.

Appendix1 – schedule of proposed changes to the pre-audit accounts

Description	Reason	DR	CR	Page Number (Note)
North Herts District Council NNDR	Late figures received from the District Council which require this adjustment	Comprehensive Income & Expenditure Statement (CIES) - £70k	Movement in reserves Statement (MIRS) - £70k	P.19-P.21 (CIES, Balance Sheet & MIRS) P.50 (Note 7 Adjustment between Accounting Standards) P.60 (Note 11 Taxation & Non Specific Grant Income) P.77-78 (Note 21 Creditors & Note 22 Provisions) P.85 (Note 24 Collection Fund Adjustment)
Movement between Reserves	Correction of classification error	ITT Reserve - £254k	Thriving Families Reserve - £254k	P.21 (MIRS)
IAS19 Asset Revaluation	Consideration of the impact and materiality of later estimates for the fair value of Fund assets. As noted elsewhere in this report it is not intended to change the values in the accounts but a note will be included of the materiality (value) of the difference in the estimates.	Nil	Nil	P.100-106 (Note 37 Defined Benefit Pension Schemes)
IAS 19 Liabilities Revaluation	Consideration of the impact and materiality of the revised liability estimates taking into accounts the McCloud judgement and GMP. As noted elsewhere in this report it is not intended to change the values in the accounts but a note will be included of the materiality (value) of the difference in the estimates.	Nil	Nil	P.100-106 (Note 37 Defined Benefit Pension Schemes)

Appendix1 – schedule of proposed changes to the pre-audit accounts

Description	Reason	DR	CR	Page Number (Note)
Exit Packages	Adjustment for additional information that was not available at the time of the first draft but which properly relates to 2018-19.	CIES - £34k	Balance Sheet - £34k	P.19-P.20 (CIES, Balance Sheet) P.50 (Note 7 Adjustment between Accounting Standards) P.94 (Note 34 Termination Benefits & Exit Packages
Intangibles	Reclassification of spend from Property, Plant & Equipment (PPE) to Intangible Assets	Intangibles (Balance Sheet) - £219k	PPE (Balance Sheet) - £219k	Balance Sheet Note 14 P.61-P.64 (Note 12 PPE)
Expenditure Funding Analysis Adjustment	Correction of classification error	Taxation & Non-Specific Grant Income (CIES) - £5,661k	Cost of Services (CIES) - £5,661k	P.19 (CIES) P.60 (Note 11 Taxation & Non Specific Grant Income)
Leases	Amendment required due to revaluation of assets for Finance Leases, Other Land & Buildings (Increase of £6k)	Nil	Nil	P.70 (Note 16 Leases)
Asset Valuations	Amendment to valuation following clarification of asset tenure	Revaluation Reserve (Balance Sheet) - £6,910k Other Comprehensive Income & Expenditure (CIES) - £6,910k	PPE (Balance Sheet) - £6,910k MIRS - £6,910k	P.19-P.21 (CIES, Balance Sheet & MIRS) P.61-P.64 (Note 12 PPE) P.81 (Note 24 Revaluation Reserve)
IRFS 9	The Council does not currently intend to make any change to the presentation of pooled asset investments under the IFRS 9 provisions, however in the event that a change in required, the adjustment	Financing and Investment Income & Expenditure (CIES) - £156k	Deficit on revaluation of available for sale financial assets (CIES) - 156k	P.19 (CIES) P.60 (Note 10 Financing Investment Income & Expenditure P.82 (Note 24 Pooled Investment Fund Adjustment Account) P114 (Note 43 Financial Instruments)

Appendix1 – schedule of proposed changes to the pre-audit accounts

Description	Reason	DR	CR	Page Number (Note)
	will be as set out in this table			
Audit Cross Casting errors	Various minor adjustments were identified by Audit and will be amended for the final pack to improve consistency between tables, which do not require any new postings	Nil	Nil	Various

APPENDIX 2: Letters of Representation (HCC)

Resources

Private & Confidential

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Date: 19 July 2019

Dear Suresh

This letter of representations is provided in connection with your audit of the financial statements of Hertfordshire County Council ("the Council") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Hertfordshire County Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts

and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

2. We acknowledge, as members of management of the 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. We have approved the financial statements.

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

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

5. 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. We have not corrected these differences because of this level of immateriality, which we have discussed with you.

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 law and regulations, including fraud.

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

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

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:-

    - involving financial statements;

- related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

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 committees; Cabinet and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period of the most recent meeting on the following date:

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

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

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial

statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

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 relevant notes to the financial statements all guarantees that we have given to third parties.

E. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative report.

2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the values of the Council's land and buildings and surplus assets 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.

H. Estimates – Property Valuations

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.

2. We confirm that the significant assumptions used in making the property valuations appropriately reflect our intent and ability to carry out specific

courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.

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 applicable financial reporting framework.

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

I. 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.

J. Going Concern

1. We 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.

Yours faithfully

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Scott Crudgington, Director of Resources (Chief Finance Officer)

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Frances Button, Chairman of the Audit Committee