

Cherwell District  
Council  
Audit results report  
Year ended 31 March 2018

12 September 2018



Private and Confidential

10 September 2018

Members of the Accounts, Audit & Risk Committee  
Cherwell District Council  
Bodicote House  
Bodicote OX15 4AA

Dear Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Accounts, Audit & Risk Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cherwell District Council for 2017/18.

We have substantially completed our audit of Cherwell District Council for the year ended 31 March 2018. 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 our Audit Planning Report, we identified significant risks around the arrangements established by the Council to make informed decisions on the significant investment made in commercial activities, for example the acquisition of Crown House and Castle Quay. Based on our review of the arrangements in relation to the acquisition of Crown House, we expect to issue a qualified value for money conclusion. Section 4 of our report sets out our detailed findings in relation to this issue.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 12 September 2018.

Yours faithfully

Neil Harris

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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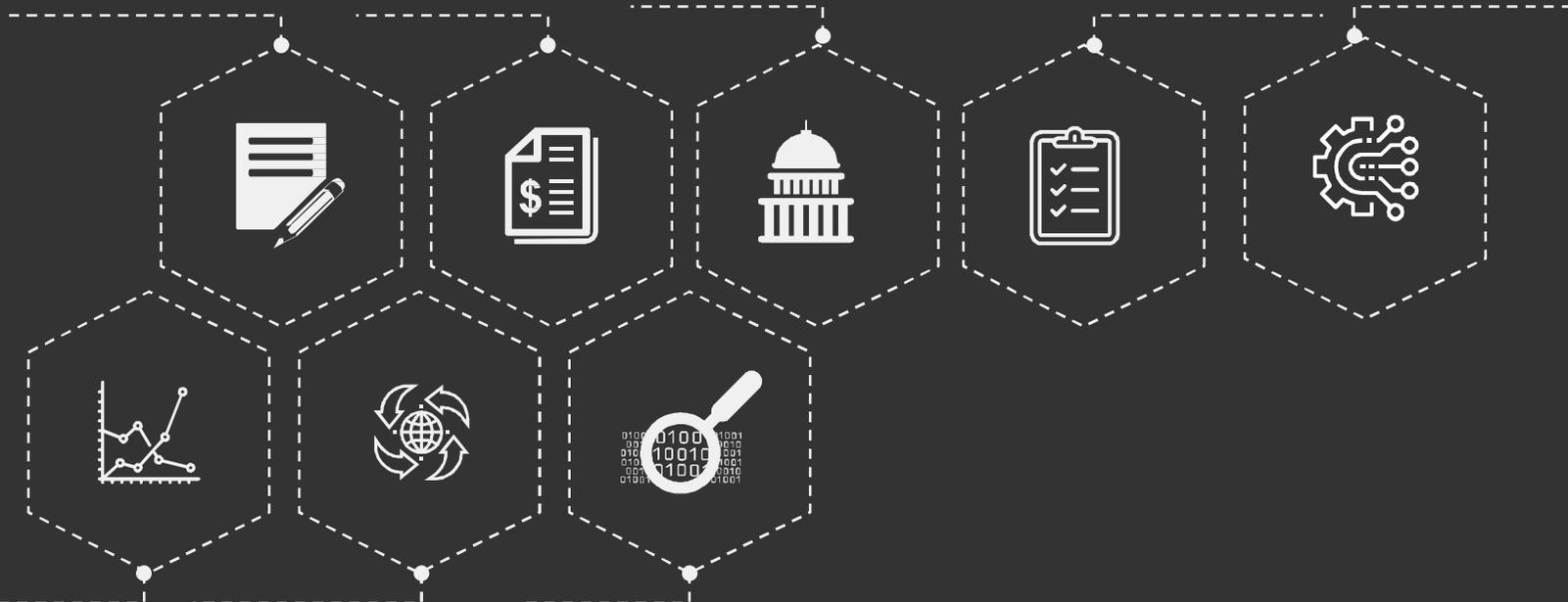
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Accounts, Audit & Risk Committee and management of Cherwell District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Accounts, Audit & Risk Committee and the management of Cherwell District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Accounts, Audit & Risk Committee and management of Cherwell District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

# Executive Summary

## Scope update

In our Audit Planning Report presented to the 30<sup>th</sup> May 2018 meeting of the Accounts, Audit & Risk Committee, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

### Changes in materiality

We updated our planning materiality assessment using the draft accounts and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment for both the group and single entity to £948,000 (Audit Planning Report – £994,000). This results in updated performance materiality, at 75% of overall materiality, of £711,000, and an updated threshold for reporting misstatements of £47,000.

## Status of the audit

We have substantially completed our audit of Cherwell District Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Planning Report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements. However until our work is complete, further amendments may arise:

- Completion of our review of the work undertaken by Clark Howes in relation to the Council's wholly owned subsidiaries.
- Completion of our testing on related party transactions
- Completion of our work in relation to our Value for Money Conclusion and consideration of our wider statutory duties on the Crown House acquisition.
- Review of the final version of the financial statements
- Completion of subsequent events review
- Receipt of the signed management representation letter
- Completion of the remaining Manager and Associate Partner review of the completed audit work.

We will provide the Accounts, Audit & Risk Committee with a verbal update on the progress of these outstanding matters at its meeting on 12 September 2018.

## Audit differences

During the course of our work on the Council's draft financial statements we identified a small number of audit differences. These have been adjusted by management within the final version of the financial statements. Further detail on these is provided in Section 4 of our report.

We have one unadjusted error to bring to your attention. This relates to an under-statement of £75,000 in the Minimum Revenue Provision. The Council have confirmed that they intend to correct this in 2018/19. This difference is not material.



# Executive Summary

## Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Cherwell District 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 Accounts, Audit & Risk Committee.

## Control observations

As part of our audit of the financial statements, we have adopted a fully substantive approach. Therefore we have not tested the operation of controls. We did, however, obtain an understanding of the Council's internal control environment sufficient to plan our audit and determine the nature, timing and extent of testing performed. 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.

## 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.

In our Audit Planning Report, we identified significant risks around the arrangements established by the Council to prepare its draft financial statements, and the extent to which the significant investment the Council has made in commercial activities were subject to appropriate due diligence. Based on the work we have completed to date, we expect to issue a qualified value for money conclusion, reflecting weaknesses in the Council's governance arrangements in respect of the acquisition of the Crown House subsidiary. Section 4 of our report sets out our detailed findings in relation to this issue.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. The Council have amended the Annual Governance Statement previously reviewed by Members to reflect the weaknesses in the governance arrangements identified in relation to the acquisition of Crown House Limited. We have no further matters to report to you.

We have performed the procedures required of us by the National Audit Office (NAO) on the Council's Whole of Government Accounts submission. We have no matters to report to you.

## Executive Summary

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### Independence

We have no matters to report to you in relation to our Independence. Please refer to Section 7 for our update on our Independence



## 02 Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

Significant Risk

#### What is the risk?

There is a risk that 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.

For Cherwell District Council, we consider that this risk manifests itself in:

- The incorrect classification of revenue spend as capital;
- The inappropriate classification of revenue spend as Revenues Expenditure Financed from Capital Under Statute (REFCUS); and
- Failure to make a prudent assessment of the Minimum Revenue Provision (MRP).

#### What judgments are we focussed on?

We focused on aspects of the financial statements where management could inappropriately inflate income or understate expenditure, primarily:

- Ø Material accounting estimates.
- Ø Accruals near year end
- Ø Journal entries.
- Ø Unusual transactions.

#### What did we do?

- Made enquiries of management about the risks of fraud, and the controls established to mitigate those risks.
- Gained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls to address the risk of fraud.
- Perform mandatory procedures, regardless of specifically identified fraud risks, including the testing of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Reviewed the critical judgements made by management in applying accounting policies.
- Assessed management's assumptions around future sources of uncertainty.
- Evaluated the business rationale for significant and unusual transactions;
- Tested a sample of capital expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS) to verify that revenue costs have not been inappropriately capitalised.
- Confirmed that adjustments between the accounting basis and funding basis have been correctly made in accordance with the Code, and reflected appropriately in the Council's Movement in Reserves Statement.
- Confirmed that the Capital Financing Requirement (CFR) and Minimum Revenue Provision had been calculated in accordance with the Code.



## Areas of Audit Focus

### Significant risk

Misstatements due to fraud or error

Significant Risk

#### What are our conclusions?

Based on the work we have completed to date, we have not:

- identified any material weaknesses in controls or evidence of material management override.
- identified any instances of inappropriate judgements being applied.
- Identified any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.
- Identified any capital expenditure which had been inappropriately capitalised.

As a result of the work we undertook to review the Council's calculation of its Minimum Revenue Provision, we noted that the Council had understated the MRP chargeable in 2017/18 by £75,000. This difference is not material. The Council have proposed that this under-provision will be correct in 2018/19. We have reflected this under-provision as an unadjusted error in Section 3 of our report.



## Areas of Audit Focus

### Significant risk

Misstatements due to fraud or error - risk of fraud in revenue and expenditure recognition

Significant Risk

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For our audit of Cherwell District Council, we consider that this risk is limited to the cost of sales charged to the profit and loss account by the Council's wholly owned subsidiary company, Graven Hill Village Development Company Limited. The costs comprise a combination of direct costs, and costs estimated on the basis of individual dwelling plots. These costs totalled £3.5 million as at 31 March 2018.

#### What judgments are we focussed on?

We focused on those aspects of the financial statements where management could inappropriately understate, primarily the allocation of costs to completed dwellings.

#### What did we do?

We included the risk of fraud in revenue expenditure recognition as a significant risk in our instructions to Clark Howes (as auditors to Graven Hill Village Development Company Limited). We will review the work undertaken by Clark Howes and, where necessary, perform additional audit procedures ourselves, to:

- Test expenditure allocated to the cost of sales to supporting invoices and cash payment; and
- Test the basis of the estimation techniques applied when determining amounts charged to costs of sales from work in progress.

#### What are our conclusions?

We are in the process of concluding our work in this area, including undertaking a final review of the working papers prepared by Clark Howes in respect of their audit of the Graven Hill companies. Based on the work we have completed to date, we have not identified any matters to report to Members, though we will provide a verbal update to Members at the meeting of the Accounts, Audit & Risk Committee on 12 September 2018.



## Areas of Audit Focus

# Significant risk

### Valuation and classification of Castle Quay

Significant Risk

#### What is the risk?

During the 2017/18 financial year the Council acquired the Castle Quay shopping complex. The fair value of the development represents a significant balance in the Council's group financial statements.

The asset is subject to valuation, and management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end value recorded in the balance sheet.

#### What judgements are we focused on?

We focused on the following:

- Ø The adequacy of the scope of the work performed by the Council's valuer including their professional capabilities
- Ø The reasonableness of the underlying assumptions used by the Authority's expert valuer

#### What did we do?

We engaged specialists from within our Real Estate team to support our work in relation to the valuation of this asset, and:

- Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. Tested and challenged the information and assumptions used by the valuer in performing their valuation;
- Confirmed that the asset had been correctly classified within the balance sheet, and that the accounting entries relating to the acquisition and valuation of the asset were correctly reflected within the financial statements.

#### What are our conclusions?

We are satisfied that the Council have correctly classified Castle Quay within its financial statements, reflecting the fact that these assets are held for investment purposes. In reviewing the valuation of this asset, we noted that the carrying value of this assets reflected its value in December 2017 rather than at the balance sheet date (as required by the Local Authority Code of Accounting Practice). The change in the valuation date resulted in an increase in the value of this asset by £756,000. The Council have reflected the updated valuation in its revised financial statements.



# Areas of Audit Focus

## Other areas of audit focus

### Pension liability valuation

Significant Risk

#### What is the risk?

The Code of Practice on Local Authority Accounting and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is a scheduled body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

#### What judgements are we focused on?

We focused on the following:

- Ø The reasonableness of the underlying assumptions used by the Authority's expert – Hymans Robertson.
- Ø Ensuring the information supplied to the actuary in relation to Cherwell District Council was complete and accurate
- Ø Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Hymans Robertson.

#### What did we do?

- Ø Liaised with the auditors of Oxfordshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Cherwell District Council;
- Ø 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 National Audit Office for all Local Government sector auditors, and considering the review of these by the EY actuarial team; and
- Ø Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

#### What are our conclusions?

We have received reports from the auditor of Oxfordshire Pension Fund and EY's actuarial team.

In testing the Council's pension liability, we noted that the draft financial statements were prepared on the basis of IAS19 data and assumptions taken at December 2017, with a forecast of the 31 March 2018 position.

Oxfordshire Pension Fund's draft financial statements include an up to date estimate of the asset values within the fund at 31st March 2018. This estimate is £28.3 million less than the value reflected in the Council's estimate of its pension liability, reflecting a deterioration in market conditions. The Council's share of this difference in estimate is £1.2 million.

As this difference is above our audit materiality, the Council obtained from its actuary an up to date IAS19 report. The updated report reflected a reduction in the Council's pension liability of £622,000 million. The Council have reflected this change in its financial statements.



## Areas of Audit Focus

### Other areas of focus

#### Valuation of Property, Plant & Equipment and Investment Property

##### What is the risk?

Material misstatement of the net assets of the Authority as a result of inappropriate judgemental inputs and/or estimation techniques to calculate the year-end balances recorded in the balance sheet.

The fair value of Property, Plant and Equipment (PPE) and Investment Property represent a significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

##### What judgements are we focused on?

We focused on the following:

- Ø The adequacy of the scope of the work performed by the Council's valuer.
- Ø The reasonableness of the underlying assumptions used by the Authority's expert valuer

##### What did we do?

- Ø Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Ø Sample tested key asset information used by the valuers in performing their valuation.
- Ø 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. We also considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer.
- Ø Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated.
- Ø Considered any changes to useful economic lives as a result of the most recent valuation.
- Ø Tested accounting entries had been correctly processed in the financial statements.

##### What are our conclusions?

In testing the valuation of car parks held by the Council, we also noted that the value of these was based on 10 months income, and not 12. The Council has obtained an updated valuations for these assets. The Council has amended its draft financial statements to reflect the revised valuation of these assets.

We have no further matters to report to you.



## Areas of Audit Focus

### Other areas of audit focus

#### Investment in subsidiary entities

##### What is the risk?

Prior to 31 March 2018, the Council has issued loans totalling £15.5 million to its wholly owned subsidiary companies, including £4.5 million to Crown House Estates (in settlement of debts held by Crown House at the point of acquisition by the Council) and £11 million to Graven Hill Village Holdings Limited (to fund the development of the Graven Hill site).

These amounts are in addition to the Council's investment in the share capital of each entity, which is currently valued at £1.1 million and £21.4 million respectively.

##### What did we do?

We have:

- Reviewed the extent to which the Council has assessed the recoverability of the Council's investment; and
- Assessed whether the Council has made adequate provision for any expected losses.

##### What are our conclusions?

The Council has not made any provision for expected losses in respect of amounts loaned to its wholly owned subsidiary companies.

Based on the work we have completed to date, we are satisfied that the assets held within the subsidiary companies are sufficient to cover any losses, were any to crystallise, and therefore consider the approach taken by the Council is appropriate.



## Areas of Audit Focus

### Other areas of audit focus

#### Group financial statements

##### What is the risk?

The size and complexity of the Cherwell District Council group increased during 2017/18. The Council now has 3 wholly owned subsidiary companies (2 in 2016/17). Additionally, the Council also holds an interest in a company established jointly with South Northamptonshire Council that will commence the processing of housing benefit claims across both Councils in June 2018.

Clark Howes currently provide both accounting and external auditing services to the Graven Hill companies. Given the nature of this arrangement, we considered implications for our audit of the Council's Group Statement of Accounts, in particular the extent to which we review and re-perform the work undertaken by Clark Howes.

##### What did we do?

We issued group auditor instructions to Clark Howes, setting out details of the risks we identified to the Council's group financial statements that are relevant to their audit of the subsidiary companies, and our materiality thresholds.

We have reviewed the steps taken by Clark Howes to safeguard the independence of their audit team, and are satisfied that no member of the audit team has been involved in the preparation of the financial statements.

We are in the process of reviewing the detailed audit testing undertaken by Clark Howes on the Graven Hill companies, and will focus our review on those areas where we have identified a risk, or where auditor judgments is required.

With regard to Crown House, while we issued group instructions to Clark Howes in relation to their audit of the entity, Clark Howes are yet to complete their audit work, pending finalisation of the Crown House financial statements. We have therefore undertaken direct testing of amounts consolidated by the Council in respect of Crown House.

##### What are our conclusions?

Based on the work we have completed to date, we have identified the following matters:

- The Council has amended the disclosure in relation to amounts consolidated in respect of Crown House, reclassifying the amounts paid for the shares in Crown House as a long-term investment (from Long-Term debtors).
- The Council should work with Clark Howes, as auditors of Crown House, to ensure that audit of the entity's financial statements are completed as soon as possible.

We will update Members of the Accounts, Audit and Risk Committee on any matters arising from our detailed review of the work undertaken by Clark Howes at its meeting of 12 September.



# 03 Audit Differences





# Audit Differences

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In the normal course of any audit, we identify differences 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

During the course of our audit, we have identified a number of audit differences which have been corrected by management. We are currently reviewing the adjustments made to the draft accounts by management, and will include a schedule of these in our final Audit Results Report.

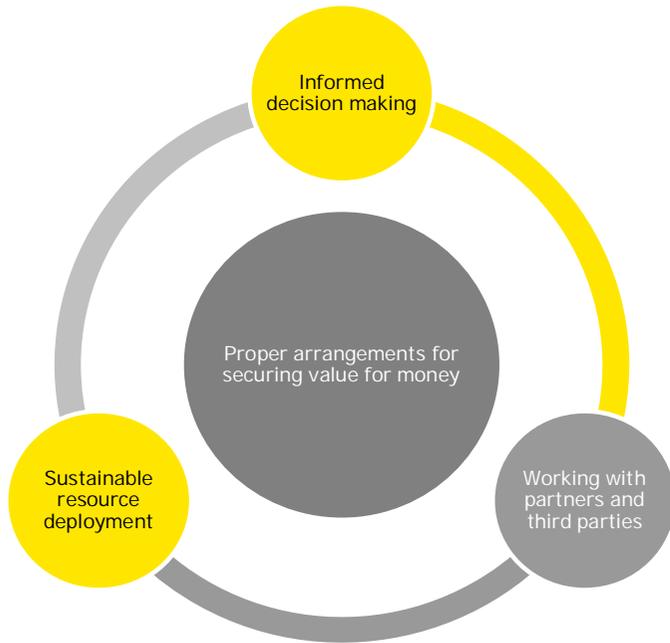
## Summary of Unadjusted differences

We have one uncorrected misstatement to bring to your attention. This relates to an under-statement of £75,000 in the Minimum Revenue Provision. The Council have confirmed that they intend to correct this in 2018/19. This difference is not material.



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## Value for Money Risks



## 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 2017/18 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

We identified two significant risks around the Council's arrangements. These related to the arrangements established by the Council to prepare its draft financial statements, and the extent to which the significant investment the Council has made in commercial activities were subject to appropriate due diligence.

Based on the work we have completed to date, we expect to issue a qualified value for money conclusion, reflecting weaknesses in the Council's governance arrangements in respect of the acquisition of the Crown House subsidiary. The following pages summarise our findings in response to the risk included in our Audit Planning Report, and the matters we wish to bring to your attention.

## 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.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

### What is the significant value for money risk?

Follow-up on Matters Identified in the Prior Year.

In the prior year we experienced significant difficulties in completing our audit. This included the adequacy of working papers and their reconciliation to the financial statements, the timeliness of deliverables and responses to auditor queries, errors in the basis of which items of property, plant and equipment were valued, leading to material errors in the draft Statement of Accounts, and the significant amount of time taken to matters we raised during the course of our audit.

These had a significant impact on the efficiency of the accounts and audit process for both the Council and us as your auditors. We therefore issued an Except for Value for Money Conclusion. As part of our 2017/18 audit, we have followed-up on the steps taken by the Council to address the weaknesses identified.

### What arrangements did the risk affect?

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

### What are our findings?

On the basis of the work we have undertaken in relation to the Council’s 2017/18 Statement of Accounts, we consider that the Council has strengthened its arrangements through:

- The recruitment of a specialist support to prepare the financial statements and supporting working papers.
- The draft Statement of Accounts were prepared in accordance with statutory deadlines, with no material omissions.
- Supporting working papers are significantly improved from prior year; these were prepared in advance of us starting our on-site work, were clearly linked to amounts within the financial statements, general ledger, and supporting evidence.
- Queries raised during the audit process were responded to quickly and promptly.

Our audit has identified no significant matters in relation to our audit of the Council’s financial statements.



## Value for Money Risks

### What is the significant value for money risk?

The Council has been actively pursuing its commercial investment strategy over the past few years. During the 2017/18 financial year, the Council

- Taken a decision to facilitate the future re-development of Banbury town centre through the acquisition of Castle Quay area of the town centre at a cost of £65 million; and
- Acquired a new, wholly owned subsidiary company, Crown House Estates to facilitate the development of Crown House in Banbury. The cost of this acquisition was £5.6 million.

These activities have seen a significant increase in the Council's borrowing, which stands at £96 million at 31 March 2018. Given the significance and importance of these decisions to the Council's strategic, operational and financial priorities, we have reviewed the adequacy of the Council's decision making processes in relation to these investments.

### What arrangements did the risk affect?

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

### What are our findings?

We have reviewed the quality of the information provided to Members and Officers when taking decisions in relation to these projects, and in particular the extent to which the Council have sought and considered relevant technical, legal and independent professional advice to inform the decisions it took.

In relation to the Council's acquisition of Castle Quay, we have no matters to bring to your attention.

In relation to the Council's acquisition of Crown House, we have identified a number of weaknesses in relation to its governance processes. We consider that these weaknesses are sufficiently significant to warrant a qualification of our value for money conclusion. We are concerned that members were not provided with sufficient and appropriate information to make an informed decision on the acquisition and discharge its fiduciary duty to taxpayers. Particular weaknesses we identified include:

- The Council engaged experts to review the financial model underpinning its assessment of the investment. It is unclear, however, what instructions were given to the Council's expert, and to date the Council have been unable to locate those instructions.
- In terms of the financial model adopted by the Council to assess the investment, it is unclear as to the basis upon which the inputs to the model were chosen, who ran the modelling exercise and which officers instructed the Council's expert. Of particular importance, it is unclear as to the extent to which the commentary, caveats and assumptions made by the Council's expert were addressed prior to the Council acquiring Crown House.
- We recognise that the Council has sought to acquire the Crown House site on a number of occasions since 2012 in order to support its objective of regenerating and improving Banbury Town Centre. Notwithstanding this, the acquisition of the site was not undertaken on the basis of a market assessment as was asserted to members in July 2017. Consequently, based on the information currently available to us, the cost of acquiring the site, and the costs to complete the development could result in a forecast deficit which exceeds our level of materiality.



## Value for Money Risks

### What are our findings (continued)?

To date, officers have taken the following steps to address the weaknesses identified:

- Instructing Legal Counsel to review the decision and the actions required to rectify governance weaknesses identified.
- The preparation of a report to Members setting out the steps the Council propose to take to address the weaknesses identified.
- The Council has also amended its Annual Governance Statement to reflect these weaknesses.

Having very recently received and considered the Counsel advice to the Council and the Council's proposed response, we are finalising what further audit action, if any, we should take before we certify closure of the audit. At this stage we are proposing a qualification of the Council's Value for Money Conclusion to reflect weaknesses in the Council's arrangements to make informed decisions on the acquisition of Crown House. We will provide an update on our position at the 12<sup>th</sup> September 2018 Committee.

The Council's Chief Financial Officer has prepared and issued a report, addressed to EY's Partner in Charge, setting out the actions the Council has taken to date on the Crown House acquisition and the proposed next steps. We understand the Council intend to present this report at an executive member briefing on 18<sup>th</sup> September 2018. In summary, the Council has been open, transparent and proactive in its response to the weaknesses identified in its decision making with the Crown House acquisition. The Council have taken appropriate ownership of the issue. Actions taken to date in addition to those set on page 25 include:

- Extensive review and scrutiny in to the decision making process and consideration of key documents.
- Investment Strategy Working Group (with cross-party membership) acting as forum to review the due diligence associated with the acquisition of new assets and commercial investment decisions.
- Implementation of a Programme Management framework setting out accountability and responsibility for the Council's key projects and initiatives.

The Council's next steps are to:

- Undertake a social value and best value review of the Crown House transaction with the support of external advice to determine what further actions the Council should take to best secure a best value consideration.
- Review the status and processes for other Council projects and initiatives to ensure no similar issues are identified, and if so, to remediate at an early stage.

We support the actions proposed by the Council.



## 05 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 financial statements 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.

We have completed our review of the financial information included in the financial statements and published with the financial statements. We have no matters to report to you in relation to this.

We have completed our review of the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. The Council have amended the Annual Governance Statement previously reviewed by Members to reflect the weaknesses in the governance arrangements identified in relation to the acquisition of Crown House Limited. We have no further matters to report to you.

### 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.

We have performed the procedures required of us by the National Audit Office (NAO) on the Council's Whole of Government Accounts submission. We have no matters to report to you.

# 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 Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. In light of the legal Counsel advice provided to the Council recently on the acquisition of Crown House, and the Council’s response, we are in the process of finalising if there are any remaining factors we should consider to exercise any of these powers. We will provide an update to members on 12<sup>th</sup> September.

### 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 Authority’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;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have nothing to report in respect of these issues.

# Other reporting issues

### Other matters

The applicable accounting framework is CIPFA's annual Code of Practice on Local Authority Accounting in the United Kingdom (which is IFRS based as adapted for Local Authorities). The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The 2018/19 Code will determine how IFRS 15 and IFRS9 will be adopted by local government bodies.

#### IFRS 15 Revenue from Customers with Contracts:

Given the nature of the Council's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the financial statements of the Council. The vast majority of the Council's income streams are taxation or grant based, and are therefore outside the scope of IFRS15.

The following income streams which are within the scope of IFRS 15 may be considered material by the Council in making its assessment of the impact on IFRS 15 in its 2018/19 accounts:

- fees and charges for services under statutory requirements, e.g. application fees for taxi licenses or planning fees;
- sale of goods provided by the authority e.g. retail sales at leisure centres; and
- charges for services provided by a local authority.

#### IFRS 9 Financial Instruments:

Given the scale of the debenture loans made by the Council to its wholly owned subsidiary companies, we think the introduction of IFRS 9 is likely to have a significant impact on the Council. In particular, the Council will need to consider whether it will need to provide for any expected future losses arising from these arrangements.



06

## Assessment of Control Environment



# Assessment of Control Environment

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## Financial controls

It is the responsibility of the Authority 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 Authority 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.



07

# Independence

## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated March 2018.

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 you and your Audit Committee consider the facts known to you and come 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 the Audit Committee on 30 July 2018.

We confirm we have not undertaken non-audit work outside the PSAA Code requirements.

# Independence

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## 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 2017 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

The table below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute. We confirm that we have not undertaken any non-audit services on behalf of the Council, nor have we provided any services on a contingent fee basis.

# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

	Proposed final fee 2017/18	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
		£	£	£
PSAA scale fee – Code work (Note 1)	52,127	52,127	52,127	83,127 <sup>1</sup>
Impact of lower materiality thresholds	8,000 <sup>2</sup>	8,000 – 12,000	N/A	N/A
Castle Quay valuation significant risk	6,000 <sup>2</sup>	4,000 – 6,000	N/A	N/A
Value for Money significant risk	10,000 <sup>2</sup>	6,000 – 9,000	N/A	N/A
Area of Audit focus – group considerations	10,000 <sup>2</sup>	8,000 – 10,000	N/A	N/A
<b>Total audit fees</b>	<b>86,127</b>	<b>78,127 – 89,127</b>	<b>52,127</b>	<b>83,127</b>
Other non-audit services not covered above (certification of Housing Benefit subsidy claim)	8,844	8,844	8,844	12,495
<b>Total other non-audit services</b>	<b>8,844</b>	<b>8,844</b>	<b>8,844</b>	<b>12,495</b>
<b>Total fees</b>	<b>94,971</b>	<b>86,971 – 97,971</b>	<b>60,971</b>	<b>95,622</b>

### Note 1

This amount is subject to approval by the PSAA and will be billed as soon as this is confirmed.

## Appendix A

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# Fees

### Note 2

In our 2017/18 audit plan, we provided an indication of the additional fee that we expected to charge for the current year. We are now in the process of concluding our 2017/18 audit, and the table below sets out our proposed variation to the PSAA scale fee of £52,127. The proposed variation arises from the additional costs we incurred in

1. The impact of being required to undertake our audit to a lower materiality level as a result of the increase in the risk profile of the Council. The lower threshold against which our audit procedures are to be performed means that additional audit testing will be required. This also decreases our threshold for investigating variances where we performed procedures such as substantive analytical review.
2. The additional work required as a result of the increase risk associated with the acquisition of Castle Quay and the Crown House site, primarily relating to the use of EY specialist to provide assurance over the valuation of these assets.
3. The work required to address the significant value for money risks.
4. The nature, timing and extent of our group audit procedures and our audit testing of the component subsidiaries.

Any variation to the scale fee will require the approval of PSAA Ltd.



# 08 Appendices

## Appendix A

# Required communications with the Accounts, Audit & Risk 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:

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report - May 2018
Significant findings from the audit	<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>	Audit results report - September 2018

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <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>	Audit results report – September 2018
Misstatements	<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>• Material misstatements corrected by management</li> </ul>	Audit results report – September 2018
Subsequent events	<ul style="list-style-type: none"> <li>• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit results report – September 2018
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Accounts, Audit &amp; Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to the Accounts, Audit &amp; Risk Committee's responsibilities.</li> </ul>	Audit results report – September 2018

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <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 Authority</li> </ul>	Audit results report – September 2018
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <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> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit results report – September 2018

# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<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>	Audit results report – September 2018
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>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</li> <li>Enquiry of the Accounts, Audit &amp; Risk 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</li> </ul>	Audit results report – September 2018
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report – September 2018

# Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report – September 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report – September 2018
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor’s report</li> </ul>	Audit results report – September 2018
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit planning report is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit planning report – May 2018 Audit results report – September 2018
Certification work	<ul style="list-style-type: none"> <li>Summary of certification work</li> </ul>	Annual Certification Report

# Management representation letter

## Management Rep Letter

[To be prepared on the entity's letterhead]  
[Date]

Ernst & Young LLP  
400 Capability Green  
Luton LU1 3LU

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of Cherwell District Council ("the Group and Council") for the year ended 31<sup>st</sup> March 2018. 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 consolidated and Council financial statements give a true and fair view of the group and Council's financial position of Cherwell District Council as of 31<sup>st</sup> March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 for the Council.

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion there on and that your audit was conducted in accordance with International Standards on Auditing, 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 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 2017/18 for the Council.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council 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 Group and Council in accordance with Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the consolidated financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and 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 2017/18 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. We have not corrected the financial statements for the uncorrected audit differences noted in the Audit Results Report:

*[Cherwell District Council to provide details of unadjusted audit differences and reason for non-adjustment]*

# Management representation letter

## Management Rep Letter

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and 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 consolidated and Council 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 Group and Council (regardless of the source or form and including without limitation, any allegations by "whistle blowers"), including non-compliance matters:
  - involving the financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or 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 Group and 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 consolidated and Council financial statements.
3. We have made available to you all minutes of the meetings of the Full Council, Executive and Audit 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: 12 September 2018.

# Management representation letter

## Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and 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 year 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 consolidated and Council 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 Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council 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 consolidated and Council 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 to you all guarantees that we have given to third parties.
  4. No claims in connection with litigation have been or are expected to be received.
- E. Subsequent Events
1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and Council 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 Annual Governance Statement and Narrative Statement.
  2. We confirm that the content contained within the other information is consistent with the financial statements.

# Management representation letter

## Management Rep Letter

### G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of non-current assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Council 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. Accounting Estimates

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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the significant assumptions used in making the estimated valuations of Pension Asset/ Liabilities and Property, Plant and Equipment appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Group and Council.
3. We confirm that the disclosures made in the consolidated and Council financial statements with respect to the accounting estimate(s) are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and Council 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.

Yours faithfully,

\_\_\_\_\_  
Executive Director of Finance and Governance (Interim)

\_\_\_\_\_  
Chair of the Accounts, Audit & Risk Committee

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