

Fenland District Council

Report to those charged with governance

Report to the Corporate Governance Committee of the authority on the audit for the year ended 31 March 2015 (*ISA (UK&I) 260*)

Government and
Public Sector

September 2015

Contents

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

| | |
|---|-----------|
| Executive summary | 1 |
| Audit approach | 2 |
| Significant audit and accounting matters | 7 |
| Risk of fraud | 14 |
| Fees update | 16 |
| Appendices | 17 |
| Appendix 1: Letter of representation | 18 |

An audit of the Statement of Accounts is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. We have issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2015; we have reviewed the plan and concluded that it remains appropriate. We have, however, in light of guidance from the regulator reconsidered our risk assessment in relation to the valuation of plant, property and equipment. Given scale of the in-year revaluations and the fact that PPE represents the largest element of the balance sheet, we have increased the risk of misstatement in valuation from elevated to significant.

Audit Summary

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts on 25 September 2015.

At the time of writing this the key outstanding matters, where our work has commenced but is not yet finalised, are:

- review of the detailed disclosures in the Statement of Accounts;
- approval of the Statement of Accounts and letters of representation;
- completion of our work on pensions following receipt of a report from the pension fund auditors;
- completion of our work on VfM;
- finalisation of the PPE Valuations work;
- required procedures on Whole of Government accounts;
- completion of our work on journals; and
- completion procedures including subsequent events review.

There are six key judgments which require the Corporate Governance Committee/those charged with governance's attention – further details are set out commencing on page 10.

We look forward to discussing our report with you on 25 September 2015. Attending the meeting from PwC will be Ciaran McLaughlin and Aphrodite Antoniadis.

We would like to take this opportunity to express our thanks for the co-operation and assistance we have received from the management and staff of the Council throughout our audit process. It has been a pleasure to work with the team and we have been very grateful for the cooperation we have received, the quality of the working papers and timeliness of provision of information.

Audit approach

Our audit approach was set in our audit plan which we presented to you in March 2015.

Since we communicated our audit plan, we have amended our audit approach for accounts audit to reflect the changes described in the table below:

| Risk | Risk Level | Response to new risk/change in risk level | Reason for change |
|--|------------------------------------|---|---|
| Valuation of Property, Plant and Equipment ('PPE') and Investment Properties | Original – Elevated | The response to the risk remains the same as that detailed in our audit plan. | We have revised our assessment of the risk of material misstatement to significant reflecting guidance from the Audit Quality Review Team that PPE is normally considered a significant risk for public sector entities. This is due to the size of the PPE and Investment Properties balance (£36m) relative to the rest of the balance sheet and also the judgements applied in determining the valuation of the balance. |
| | Revised – Significant | The extent of the work carried out to address the risk has increased to give us the required assurance over the higher risk. Our full response to the risk is detailed on page 4. | |
| Complex Supplier Arrangements | Original – TBC Revised – Normal | We have considered the press release issued by the Financial Reporting Council (FRC) in December 2014 concerning the risks of complex supplier arrangements (PN 74/14). The note increased the focus on the review and accounting for such arrangements. Although the release focuses on retailers and their suppliers the guidance is applicable for all entities where there are complex commercial arrangements between customers and suppliers. We have considered the significant contracts that the Council has entered into as part of our work. | Our risk assessment, carried out as part of our planning did not identify any such arrangements to be considered during our audit of the Council. |

We have summarised below the significant risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

| Risk | Categorisation | Audit approach | Results of work performed |
|---|--------------------|---|---|
| <p>Management override of controls</p> <p><i>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</i></p> | <p>Significant</p> | <p>As part of our assessment of your control environment we have considered those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>We performed procedures to:</p> <ul style="list-style-type: none"> • Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • Test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus; • Test accounting judgements that affect the General Fund for bias and evaluate whether judgment and estimates used are reasonable (for example pension scheme assumptions, valuation and impairment assumptions, bad debts, accruals and provisions); • Consider if there have been significant transactions outside the normal course of business, and if there have, whether their rationale suggests fraudulent financial reporting or asset misappropriation; • Test that expenditure has been recorded in the correct financial year; • Consider whether any segregation of duties weaknesses give rise to a significant risk of material misstatement; • Test that the reversal of items debited or credited to the Comprehensive Income and Expenditure Statement are in accordance with statute; • Evaluate the business rationale underlying significant transactions outside the normal course of business; and • Perform unpredictable procedures targeted on fraud risks. | <p>We are currently finalising our work on Journals, we have not identified any exceptions at this stage.</p> |

| Risk | Categorisation | Audit approach | Results of work performed |
|--|--------------------|--|---|
| <p>Risk of fraud in revenue and expenditure recognition</p> <p><i>Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition.</i></p> <p><i>We extend this presumption to the recognition of expenditure in local government.</i></p> | <p>Significant</p> | <p>We have obtained an understanding of revenue and expenditure controls.</p> <p>We have also performed detailed testing of revenue and expenditure transactions, focussing on the areas we considered to be of greatest risk.</p> <p>For income, we considered that sales, fees and charges and Business Rate income are areas of significant risk. We did not consider grant income, Council Tax income or interest income to be significant risks.</p> <p>For expenditure, we considered that non-payroll service expenditure, including the payment of Housing Benefit and Council Tax Support, is a significant risk. We did not consider that payroll expenditure, depreciation and impairment, pension costs recognised due to the requirements of IAS 19, or interest expenditure to be significant risks.</p> <p>We obtained an understanding of and evaluate the controls relevant to the significant risks described above. We conducted tests of detail to obtain a high level of assurance over the significant risks described above.</p> <p>We evaluated and tested the accounting policy for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> | <p>No exceptions were noted in our revenue and expenditure testing.</p> |

| Risk | Categorisation | Audit approach | Results of work performed |
|---|----------------|---|--|
| <p>Valuation and impairment of Property, Plant and Equipment (PPE).</p> <p><i>Property, Plant and Equipment is the largest figure on the Council's balance sheet.</i></p> <p><i>Economic conditions continue to be uncertain, which has a potential impact on the valuation of property, plant and equipment. The Council is required to assess the carrying value of assets every year.</i></p> | Significant | <p>Specific areas of risk include:</p> <ul style="list-style-type: none"> • The accuracy and completeness of detailed information on assets. • Whether the Council's assumptions underlying the classification of properties are appropriate. • Whether properties that are not programmed to be revalued in the year might have undergone material changes in their fair value. • The valuer's methodology, assumptions and underlying data, and our access to these. <p>Where asset valuations were undertaken in-year we:</p> <ul style="list-style-type: none"> • Agreed the source data used by the valuer to supporting records. • Assessed the work of your Valuer through use of our own internal specialists where required; and • Agreed the outputs to your Fixed Asset Register and accounts. <p>Where assets were not re-valued in year, we reviewed your impairment assessment and evaluation as to whether your assets are held at an appropriate value in your accounts at the year-end.</p> | <p>Our work on PPE Valuations is currently in progress however we will be able to update the committee with the results of our work at the meeting in September.</p> |

| Risk | Categorisation | Audit approach | Results of work performed |
|--|----------------|--|---|
| <p>Implementation of procurement module within General Ledger.</p> <p><i>The Council has implemented a new procurement module during 2014/15. This went live from 2nd March 2015. This module provides the council with paperless functionality over future purchase orders and invoices.</i></p> | Elevated | <p>We have:</p> <ul style="list-style-type: none"> Obtained an understanding of the new module and any revised processes. Considered the accounting implications of the implementation. Reviewed the council's arrangements for implementing the new module including transfer/conversion of data and staff training. Evaluated related IT general controls. | No issues were noted in our review of the procurement module. |

Intelligent scoping

In our audit plan presented to you in March 2015 we reported our planned overall materiality which we used in planning the overall audit strategy. Our materiality varied because the draft financial statements for 2014/15 had decreased expenditure when compared to the final 2013/14 financial statements, on which we based our initial calculation.

Our revised materiality levels are as follows:

| | Original £ | Actual £ |
|--------------------------------------|------------|-----------|
| Overall materiality | 1,250,000 | 1,220,000 |
| Clearly trivial reporting de minimis | 60,000 | 60,000 |

Overall materiality has been set at 2% of actual expenditure for the year ended 31 March 2015.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Corporate Governance Committee at its meeting in March 2015.

Significant audit and accounting matters

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

Accounts

We have completed our audit, subject to the following outstanding matters:

- review of the detailed disclosures in the Statement of Accounts;
- approval of the Statement of Accounts and letters of representation;
- completion of our work on pensions following receipt of a report from the pension fund auditors;
- completion of our work on VfM;
- finalisation of the PPE Valuations work;
- required procedures on Whole of Government accounts;
- completion of our work on journals; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and their approval of them we expect to issue an unqualified audit opinion.

As part of our work on the Statement of Accounts we have also examined the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and anticipate issuing an opinion stating in our view they are consistent with the Statement of Accounts.

Accounting issues

Pensions liability

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Cambridgeshire County Council pension fund. Your net pension surplus/liability at 31 March 2015 was £59 million (2014 - £45 million).

We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range. The report from the Pension Fund actuary was reviewed by the PwC specialist team and the assumptions used were compared to the industry averages with no exceptions or major variances noted.

We validated the data (such as employee and employer contributions) supplied to the actuary on which to base their calculations.

Pilot's pension scheme

In June 2010 the High Court determined that as the Council paid pension contributions to the Pilots National Pension Fund ("PNPF") on behalf of former and current pilots that it could be held liable to meet the costs of reducing the deficit on the pension fund which had arisen over the period from 1987.

In 2013 the Council had reached agreement with the Pension Fund Trustee to pay £1.5m in deficit reduction payments to the fund over a period of 16 years, of this £68k was paid in 2014/15 (£58k in 2013/14). The Council had recognised the liability in its financial statements and has accounted for the payment as relating to an IAS19 multi-employer defined contribution pension scheme and so have accounted for the liability remaining as at 31 March 2013 as a Pilot's pension fund reserve. This treatment was reviewed as part of our audit work in 2012/13 at which point we were satisfied with the treatment and disclosures.

Previously the Pilots were self-employed however from April 2014 all Pilots are employed by the Council, only one is a member of the PNPF. Given this change, we have challenged management again to justify this treatment in accordance with the code of practice for local authority accounting including specific judgements relating to the treatment of the self-employed pilots as employees for pension fund accounting purposes, and the treatment of the PNPF as a multi-employer defined contribution scheme as it is not possible to identify the assets and liabilities related to the Council's proportion of the scheme assets and liabilities.

We are satisfied that the treatment does not materially misstate the financial position of the Council and are content with the disclosure in the Council's accounts which clearly reflects this position.

Property, plant and equipment

The Council has a large and complex property, plant and equipment portfolio and a number of significant judgements are required in order to generate the figures in the financial statements.

Your draft accounts include total fixed assets with a net book value of £33 million, largely made up of land and buildings (net book value of £22 million). You are required to ensure that the valuations are kept up to date.

We reviewed the work of the Council's external valuers (Norfolk Property Services) and found no significant matters to report.

Misstatements and significant audit adjustments

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. We have not identified any uncorrected misstatements during the audit that require reporting to you.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask management to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered.

Judgments and accounting estimates

The Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. The following significant judgements and accounting estimates were used in the preparation of the financial statements:

Property, Plant and Equipment Valuation: You value your PPE in accordance with your accounting policies to ensure that the carrying value is true and fair. This involves judgement and reliance on your external valuers who are charged with revaluing certain classes of assets annually.

Property, Plant and Equipment Depreciation: You also charge depreciation to reflect the value of the assets utilised in the year based on the expected Useful Economic Lives of relevant Property, Plant and Equipment (PPE) assets. Your total depreciation charge in 2014/15 was £1.7 million (2013/14 £1.7 million).

Accruals: You raise accruals for expenditure incurred where an invoice has not been raised or received at year end, but where you know there is a liability to be met which relates to the current year. This involves a degree of estimation. Accruals are not disclosed separately within the statement of accounts.

Pensions: As above, you rely on the work of an actuary in calculating these balances. We are satisfied based on our assessment of the assumptions made by the actuary fall within our range of expected assumptions.

Bad Debt Provision: Your Bad Debt Provision for sundry debtors is calculated on the basis of age and an assessment of the potential recoverability of invoices. There is an inherent level of judgement involved in calculating these provisions and you rely on the knowledge of the Teams for information on specific transactions.

NNDR Provision for Appeals: With the transfer of the risks of collection of business rates from central government to the Council, a new provision has been calculated in year for appeals to change the business rates paid. You have calculated the provision amount based on historic data on the percentage success of claims and the average reduction in the amount payable of successful claims multiplied by the rateable value for the year. The value of the proportion for this Council for the current year is £0.6 million (2013/14 £0.4 million).

We have reviewed the judgements and accounting estimates included in the accounts by management and have concluded that these are reasonable.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 1.

We have asked management in year to confirm the accuracy of the list of related parties included as an appendix to the representation letter.

Related parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We did not identify any matters during the course of our work.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “Communication with those charged with governance”, UK Ethical Standard 1 (Revised) “Integrity, objectivity and independence” and UK Ethical Standard 5 (Revised) “Non-audit services provided to audited entities” issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

Relationships between PwC and the Authority

We are aware that the spouse of a senior officer at the Council has been employed at PwC in the year. This employment is within a marketing role in our London office. We are satisfied that, in our professional judgement, there is no bearing on our independence and objectivity arising from this relationship.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm's internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2015 is included on page 16. In relation to the non-audit services provided, none included contingent fee arrangements.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

Rotation

It is the Audit Commission's policy that engagement leaders at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission's view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve engagement leaders for an additional period of up to no more than two years, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor's independence or objectivity.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Cabinet, senior management or staff.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We would ask the Corporate Governance Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: “Delivering Good Governance in Local Government”. The AGS was included in the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE “Delivering Good Governance in Local Government” framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Public Sector Audit Appointments Limited guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

Subject to completion of our work in this area, we anticipate issuing an unqualified value for money conclusion.

Internal Controls

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the annual governance statement.

Reporting requirements

We have to report to you any deficiencies in internal control that we found during the audit which we believe should be brought to your attention.

We have not identified any significant matters that we wish to bring to your attention; a separate letter will be produced for management detailing minor issues we have identified.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Corporate Governance Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

Your views on fraud

In our audit plan presented to the Corporate Governance Committee in March 2015 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?

- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.

Conditions under which fraud may occur

Management or other employees have an incentive or are under pressure

Incentive / pressure

**Why
commit
fraud?**

Opportunity

Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls

Rationalisation/attitude

Culture or environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act

Fees update

Fees update for 2014/15

We reported our fee proposals in our plan.

Our actual fees were in line with our proposals.

Our fees charged were therefore:

| | 2014/15 outturn | 2014/15 fee proposal |
|-------------------------------------|--------------------|-------------------------|
| Statement of Accounts | 49,363 | 49,363 |
| Whole of Government accounts | 1,545 | 1,545 |
| Value for Money Conclusion | 17,716 | 17,716 |
| TOTAL | 68,624 | 68,624 |

Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to those charged with governance within the Certification Report to Management in relation to 2014/15 grants.

Appendices

Appendix 1: Letter of representation

PricewaterhouseCoopers LLP

1 Embankment Place
London
WC2N 6RH

Dear Sirs

Representation letter – audit of Fenland District Council’s (the Council) Statement of Accounts for the year ended 31 March 2015

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Council give a true and fair view of the affairs of the Council as at 31 March 2015 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Chief Financial Officer for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the Council and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Council with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of Accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15; in particular the Statement of Accounts give a true and fair view in accordance therewith.

- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.
- Significant assumptions used by the Council in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires adjustment or disclosure have been adjusted or disclosed.

Information Provided

- I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the Council's auditors, are aware of that information.
- I have provided you with:
 - access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the Council and its committees, and relevant management meetings;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Council's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the Council's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the Statement of Accounts.

- all information in relation to allegations of fraud, or suspected fraud, affecting the Council's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing Statement of Accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Council conducts its business and which are central to the Council's ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

Related party transactions

I confirm that the attached Schedule 1 to this letter is a complete list of the Council's related parties. All transfer of resources, services or obligations between the Council and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the Council participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Council have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

The Council has complied with all aspects of contractual agreements that could have a material effect on the Statement of Accounts in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the Statement of Accounts in the event of non-compliance.

I have disclosed all material agreements that have been undertaken by the Council in carrying on its business.

Provisions

- Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the statement of accounts and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.
- Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments and contingencies where the items are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary, have been appropriately disclosed in the statement of accounts.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the Council's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the Council or any associated company for whose taxation liabilities the Council may be responsible.

Pension fund assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2015, have been taken into account or referred to in the Statement of Accounts.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2015 have been properly valued and that valuation incorporated into the Statement of Accounts.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

Using the work of experts

I agree with the findings of our External Valuer, expert in evaluating the value of our non-current assets and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts and underlying accounting records. The Council did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

- The Council has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Statement of Accounts.
- In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.
- The Council has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets, except for those that are disclosed in the Statement of Accounts.
- I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.
- Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the statement of accounts. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the Statement of Accounts.

Regarding the revaluation of land and buildings, an accounting estimate that was recognised in the Statement of Accounts:

- We used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA Code of Practice on Local Authority Accounting 2014/15. Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA Code of Practice on Local Authority Accounting 2014/15.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Financial Instruments

- All embedded derivatives have been identified and appropriately accounted for under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- Where hedging relationships have been designated as either firm commitments or highly probable forecast transactions, I confirm that our plans and intentions are such that these relationships qualify as genuine hedge arrangements.
- Where fair values have been assigned to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

Retirement benefits

- All retirement benefits that the Council is committed to providing, including any arrangements that are statutory, contractual or implicit in the Council’s actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.
- All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.
- The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

| | |
|-----------------------|------|
| Pension Increase Rate | 2.4% |
| Salary Increase Rate | 4.3% |
| Discount Rate | 3.2% |

| Average future life expectancies at age 65 | | |
|---|------------|------------|
| | Men | Women |
| Current Pensioners | 22.5 years | 24.5 years |
| Future Pensioners | 24.4 years | 26.9 years |

Items specific to Local Government

- I confirm that the Council does not have plans to implement any redundancy/early retirement programmes for which we should have made provision in the Statement of Accounts.
- I confirm that the Council has determined a prudent amount of revenue provision for the year under the Prudential Framework.
- I confirm that the Council has determined a proper application of the statutory provisions for the neutralisation of the impact of Single Status provisions on the General Fund balance.
- I confirm that the Council has determined a proper application of the statutory provisions for the treatment of leases that have changed status on transition to IFRS.
- I confirm that the Council has determined a proper application of the statutory provisions for the neutralisation of the impact of accumulating compensated absences on the General Fund balance.

.....

Chief Financial Officer

For and on behalf of Fenland District Council

Date

Schedule 2 – Related Parties

| | |
|---|---|
| 2020 Productions | Rural Cambs Citizens Advice Bureau |
| Anglia Revenue Partnership | Fenland Twinning Association |
| Breckland Council | Hanson, Fletton Brickworks Industry |
| Brighton & Hove City Council | Health Committee |
| Cambridge City Council | HM Courts & Tribunal Service |
| Cambridgeshire and Peterborough NHS Foundation Trust | HM Revenue and Customs taxes and duties |
| Cambridgeshire Community Services | Huntingdonshire District Council |
| Cambridgeshire Constabulary | John Clark's Garage, March M.O.T Centre |
| Cambridgeshire Council for Voluntary Services | Kings Lynn and West Norfolk Borough Council |
| Cambridgeshire County Council | Lloyds TSB Bank Plc |
| Cambridgeshire Fire & Rescue Service | Local Government Association |
| Cambridgeshire Health and Wellbeing Board | Middle Level Commissioners |
| Cambridgeshire LGPS Pension Fund | Neale-Wade Academy |
| Cambridgeshire Military Community Covenant Board | Norfolk County Council |
| Cambridgeshire Museums Advisory Service | North Kesteven District Council |
| Cambridgeshire and Peterborough Waste Partnership (Recap Board) | Oliver Cromwell Hotels Limited |
| Cambridgeshire Police and Crime Commissioner | Peterborough City Council |
| Cambridgeshire Police and Crime Panel | Post Office Limited |
| Capita Business Services Ltd Pilots National Pension Fund | Public Health England |
| Chatteris Community Centre Association | Public Works Loans Board |
| Chatteris Museum Trust | Regional Waste Forum |
| CLG Communities | Roddons Housing Association Limited |
| Companies House | Royal Mail Holdings Plc |
| Community Learning and Skills Partnership | Snowmountain Enterprises Ltd |
| Cromwell Community College | South Cambridgeshire District Council |
| Crown Estate Commissioners | South Norfolk District Council |
| Department for Work and Pensions | St Edmundsbury Borough Council |
| East Cambridgeshire District Council | The Cambridgeshire Police Shrievalty |
| East Cambs and Fenland Children's and Young People Partnership | The College of West Anglia Governing Board |
| East of England Local Government Association | The Wash and North Norfolk Coastal European Marine Site Management Scheme |
| Environment Agency | Thomas Clarkson Academy |
| Essex County Council | Townley Primary School |

| | |
|---|---|
| Fenland Association for Community Transport | Trinity Surgery, Wisbech |
| Fenland Diverse Communities Forum | WisArd |
| Fenland Health and Wellbeing Partnership | Wisbech & Fenland Museum |
| Fenland Strategic Partnership | Wisbech Community Development Trust |
| Fenland Tension Monitoring Group | Wisbech St Mary Sports and Community Centre |
| Fenland Transport and Access Partnership | Young People March Ltd |
| Greater Cambridge and Greater Peterborough Local Enterprise Trust | |

| | | |
|----------------------------------|-----------------------------|--------------------------------|
| Parish and Town Councils: | | |
| Benwick Parish Council | Leverington Parish Council | Tydd St Giles Parish Council |
| Chatteris Town Council | Manea Parish Council | Whittlesey Town Council |
| Christchurch Parish Council | March Town Council | Wimblington Parish Council |
| Doddington Parish Council | Newton Parish Council | Wisbech St Mary Parish Council |
| Elm Parish Council | Parson Drove Parish Council | Wisbech Town Council |
| Gorefield Parish Council | | |

| | |
|---|---|
| Drainage Boards: | |
| Benwick Internal Drainage Board | Needham and Laddus Internal Drainage Board |
| Curf and Wimblington Combined Internal Drainage | Nightlayers Internal Drainage Board |
| Euximoor Internal Drainage Board | North Level Internal Drainage Board |
| Feldale Internal Drainage Board | Ransonmoor District Drainage Commissioners |
| Hundred of Wisbech Internal Drainage Board | Sutton & Mepal Internal Drainage Board |
| Kings Lynn Internal Drainage Board | Upwell Internal Drainage Board |
| Manea & Welney District Drainage Commissioners | Waldersey Internal Drainage Board |
| March & Whittlesey Internal Drainage Board | Warboys, Somersham & Pidley Internal Drainage |
| March East Internal Drainage Board | White Fen Drainage Commissioners |
| March Fifth District Drainage Commissioners | |
| March Sixth District Drainage Commissioners | Whittlesey Internal Drainage Board |
| March Third District Drainage Commissioners | |



In the event that, pursuant to a request which Fenland District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Fenland District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Fenland District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Fenland District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Fenland District Council and solely for the purpose and on the terms agreed through our contract with Public Sector Audit Appointments Limited. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

130610-142627-JA-UK