

Members of the Audit Committee London Borough of Havering Town Hall Main Road Romford RM1 3BB

Dear Audit Committee Members

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of London Borough of Havering for 2017/18. We plan to issue our final report at the Audit Committee meeting scheduled for 30 July 2018.

We have substantially completed our audit of London Borough of Havering 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 the form in Section 3, before the statutory deadline of 31 July 2018.

We have no of matters about your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit 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.

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of the financial statements was brought forward, with draft accounts needing to be prepared by 31 May, and publication of audited accounts by 31 July. These changes provide risks for both the preparers and the auditors of the financial statements. The Council has prepared well for these changes, preparing a good set of draft accounts and supporting working papers in advance of the deadline of 31 May. As such we anticipate being able to meet the earlier deadline of 31July for the issue of our Audit Report on the financial statements. We would like to thank the Council's staff in helping us achieve this.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 30 July 2018.

Yours faithfully

Debbie Hanson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



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). 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 Audit Committee and management of the London Borough of Havering Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of the London Borough of Havering 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 Audit Committee and management of the London Borough of Havering Councilfor this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





Scope update

In our Audit Planning Report presented at the 28th March 2018 Audit Committee meeting, 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 £9.8 million (Audit Planning Report – £11.6 million). This results in updated performance materiality, at 75% of overall materiality, of £7.3 million, and an updated threshold for reporting misstatements of £490k.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

Remuneration disclosures including any severance payments, exit packages and termination benefits

Our audit strategy was to check the bandings reported in note 32 of the financial statements, test the completeness of the disclosure and make sure that the disclosure was compliant with the Code. We sample checked transactions back to the payroll system and supporting documentation. No issues have been noted.

Related party transactions

Our audit strategy was to obtain and review declarations from senior officers and members of the Council for any material disclosures and make sure that the disclosure in note 36 was compliant with the Code. We carried out a sample check of Companies House searches on contracts from the Council's contract register to identify whether any key decision-makers in the Council had an interest in the company. We carried out a sample check of Companies House searches between decision-makers in the Council and companies to which they were linked, to test the completeness of the disclosure. We obtained confirmation that there were no related party transactions within the declarations made by Members at committee meetings they attended. No issues have been noted.

Members' allowances

Our audit strategy was to test the completeness of the disclosure note 31 and make sure that the disclosure was compliant with the Code by sample checking transactions back to the payroll system and the Council's Constitution. No issues have been noted.

Executive Summary

Status of the audit

We have substantially completed our audit of Havering'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 in the form which appears at Section 4. However until work is complete, further amendments may arise:

- Completion of our testing on the valuation of property plant and equipment, and depreciation charges on Council Dwellings and Other Land & Buildings
- Testing of income and expenditure transactions recorded in the Comprehensive Income and Expenditure Account
- Receipt of outstanding investment confirmations
- Review of the final version of the financial statements
- Completion of subsequent events review
- Receipt of the signed management representation letter
- Completion and Manager and Associate Partner review of the completed audit work.
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

We will provide the Audit Committee with a verbal update on the progress of these outstanding matters at its meeting on 30 July 2018. We will not be able to issue our audit certificate at the same time as the audit opinion, as we have not yet been able to complete our work on the WGA.

Audit differences

We have one unadjusted audit difference to bring to your attention. This relates to the valuation of property, plant and equipment. We identified a small number of audit differences which management has agreed to adjust for. Further details are provided in Section 4 of our report.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Havering'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 Audit 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 one significant risk around these areas in relation to the establishment of Joint Venture arrangements for the redevelopment and regeneration of the Rainham and Beam Park Housing Zone, Bridge Close, and 12 housing estates within the Borough.

We have completed the procedures outlined in our Audit Planning Report to address this risk and as a result have concluded that we have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Refer to section 5 of this report for further details.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement (AGS) for consistency with our knowledge of the Authority. We understand that the AGS will be updated but we do not expect to have any matters to report as a result of this work.

We are yet to perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. However as the Council is below the anticipated testing threshold set by the NAO we do not expect to have any issues to report.

We have no other matters to report.

Independence

Please refer to Section 10 for our update on Independence.





Significant risk

Misstatements due to fraud or error



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.

We identify and respond to this fraud risk on every audit engagement.

For the Council, we identified the potential for the incorrect classification of revenue spend as capital as a particular area where there is a risk of fraud in revenue recognition.

What judgements are we focused 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?

- Ø Wrote to the Chief Operating Officer, Chair of the Audit Committee, Head of Internal Audit, and Monitoring Officer about risks of fraud and the controls in place to address those risks and reviewed their responses.
- Ø Documented our understanding of the controls relevant to this significant risk and considered if they have been appropriately designed.
- Ø Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements.
- Ø Obtained breakdown of capital additions in the year and reviewed the descriptions to identify any items that could be revenue in nature. We amended our sample sizes when testing additions to reflect the existence of this risk and agreed samples to source documentation to ensure the capital/revenue split was reasonable.
- Ø Reviewed accounting estimates and year end manual accruals for evidence of management bias.
- Ø Evaluated the business rationale for any significant unusual transactions.

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

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

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

We did not identify any capital expenditure which had been inappropriately capitalised.

Overall, our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicate that there has been any misreporting of the Authority's financial position or that management has overridden controls.



Other areas of focus

Valuation of land and buildings

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) represent 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 including their professional capabilities
- 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 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.

On receipt of the draft accounts we noted a significant (£200 million) increase in the value of the Council's property assets, On further review we confirmed that the majority of this increase related to schools. We therefore engaged our internal valuation specialists to review and critically challenge the basis and method of valuation adopted for a sample of schools.



Other areas of focus

Valuation of land and buildings

What are our conclusions?

We noted that the valuation of schools increased significantly in 2017/18, rising from a gross book value in 2016/17 of 2016/17 £323 million, to £523 million in 2017/18 (an overall increase of £200 million).

We confirmed that the significant increase in the value of these assets arose from a change in approach adopted to the valuation of land by the Council's valuer. In previous years, the Council's valuer had estimated the value of the land as a percentage of the value of the building. We reported that elements of the Council's specialist's approach to valuation were formulaic. We were, however, able to confirm that overall the combined valuation of the land and buildings was within the acceptable range determined by our own valuers, albeit at the lower end of this range.

We note that the approach adopted by the Council's valuer in relation to land this year is improved and takes into account the actual size of the land, the split between developed and undeveloped land, and market values within the London Borough of Havering. As we did in the prior year, we engaged our expert valuer to consider the underlying assumptions made by the Council's valuer, and we were able to conclude that the revised approach to the valuation of land was reasonable and that the valuations fell within an acceptable range. We note that there is a significant amount of subjectivity in relation to the valuation of land for schools, which results in a wide range for these valuations.

We considered the Council's assessment of whether the significant year on year change in the value of land associated with schools gave rise to an error in the prior period, and whether, therefore a restatement of prior period amounts was needed. We agreed with the Council's assessment that the change in basis of valuation constituted a change in estimation technique, and did not, therefore requirement a restatement of prior period amounts. The Council has agreed to add some additional narrative disclosures around the reasons for the significant change in value.

We also engaged our valuer to test the valuation of the school buildings. We noted that the approach adopted by the Council's valuer was unchanged from the previous year, with obsolescence being capped at 50%. This implies that the residual value of a building will never fall below 50% of the cost of a modern equivalent as long as the asset remains in use. We disagree with this assumption, and consider that this is likely to result in an overstatement of values for older buildings. Again we noted that our own valuers provided a wide range of values due to the judgement involved in making an assessment of remaining life of these assets.

Taking into account all the assumptions made in determining the valuation of these combined land and building assets, we have been able to conclude that overall, the Council's valuation of these assets is within the acceptable range determined by our valuer, although we would note that the values are at the top of a wide range of possible values and that the range of values is wide as a result of the level of subjectivity and judgements applied in these valuations.



Other areas of focus

Valuation of land and buildings

	Wilks Head & Eve	EY (Range)
Gaynes School		
Buildings	£11,638,000	£5,653,406 - £11,742,366
Land	£11,354,000	£6,294,954 - £11,609,908
Total	£22,992,000	£11,948,360 - £23,352,274
Sanders Draper School		
Buildings	£11,061,000	£6,015,367 - £11,109,917
Land	£10,006,000	£5,834,445 - £11,504,891
Total	£21,067,000	£11,849,812 - £22,614,808



Other areas of audit focus

Pension liability valuation

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 Havering 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 Havering Pension Fund to obtain assurances over the information supplied to the actuary in relation to the London Borough of Havering 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 Havering Pension Auditor and the EY 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.

Havering 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 £28.7 million higher than the value reflected in the Council's estimate of its pension liability, reflecting an improvement in market conditions. The Council's share of this difference in estimate is £24 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 £23.9 million. The Council have reflected this change in its financial statements.

Further details are provided at Section 4 Audit Differences.



Other areas of audit focus

Group financial statements

What is the risk?

At the point we presented our Audit Planning Report to Members, we indicated that the Council was likely to have entered into a Joint Venture arrangements for the redevelopment and regeneration of the Rainham and Beam Park Housing Zone, Bridge Close, and 12 housing estates within the Borough. The Council subsequently entered into these arrangements after 31 March 2018.

We nevertheless considered whether any transactions or balances relating to these joint venture arrangements should be consolidated within its group financial statements, having regard to both the relative size of the joint venture to the group (quantitative criteria), and the specific nature or circumstances of the joint venture (qualitative criteria).

What judgements are we focused on?

• The Council's assessment of both qualitative and quantitative factors when determining whether or not to consolidate any transactions or balances relating to the joint venture arrangements.

What did we do?

• We reviewed the Council's assessment of whether or not to consolidate any transactions or balances relating to the joint venture arrangements.

What are our conclusions?

The Council has concluded that while in future years the three joint venture companies will require consolidation in the Council's financial statements, as no material transactions arose in 2017/18, the Council has not reflected these joint venture arrangements within their 2017/18 financial statements. The Council have, though, drawn attention to these arrangements in their Narrative Report.





Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF HAVERING

Opinion

We have audited the financial statements of the London Borough of Havering for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund: and
- the related notes 1 to 45 of the Authority and Group Financial Statements, notes 1 to 3 of the Collection Fund, and notes 1 to 5 of the Housing Revenue Account.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Havering and Group as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

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

Conclusions relating to going concern

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

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



Draft audit report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2017/18 set out on pages 1 to 16, other than the financial statements and our auditor's report thereon. The Chief Operating Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, the London Borough of Havering put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.



Draft audit report

Our opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Chief Operating Officer

As explained more fully in the Statement of the S1510fficers Responsibilities set out on page 16, the Chief Operating Officer is responsible for the preparation of the financial statements, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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



Draft audit report

Our opinion on the financial statements

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the London Borough of Havering Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

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

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



Draft audit report

Our opinion on the financial statements

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

In addition we are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Havering Pension Fund. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2018. As we have not yet completed our work on the Annual Report we have not yet been able to conclude on the consistency with these financial statements and we have not issued our report on those financial statements.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Debbie Hanson (Key Audit Partner) Ernst & Young LLP (Local Auditor) Luton 31 July 2018

The maintenance and integrity of the London Borough of Havering Council's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions





Audit Differences

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

We highlight the following differences which have been corrected by management.

Adjusted audit differences 31 March 2018 (£000)	Effect on the current period:		Balance Sheet (Decrease)/Increase				Reserves
	Comprehensive income and expenditure statement Debit/(Credit)	Movement in Reserves Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)	Pensions Reserve Debit/ (Credit)
Known Differences:							
Creditors overstated as income had been received: - CIES: Neighbourhoods Income - Creditors	(3,545)				(3,545)		
Judgemental Differences:							
 Change in estimate of pension fund asset value: Actuarial losses/gains on pensions assets/liabilities Other comprehensive income and expenditure Long-Term Liabilities Pension Liability 	(23,900)	23,900				23,900	(23,900)

Audit Differences

Corrected misstatements in the statement of cash flows

Misstatement 1: In respect of the know error shown above, the Council has amended the cash flow statement to reflect the reduction in creditors, and increase in income.

Uncorrected misstatements

We have one uncorrected error to bring to your attention. In the prior year we identified one unadjusted error, relating to the valuation of Harrow Lodge Leisure Centre fell outside our acceptable range of £4.2million to £7.8 million. Taking the upper end of our valuation, we considered that the Council's valuation of £8.9 million overstated the value of this asset by £1.1 million. This asset has been subject to valuation again this year. The valuation of this asset has reduced by £143,000 (to £8.8 million). The valuation of this asset does, however, continue to sit outside the range of values provided to us by our valuer in the prior year. Taking the upper end of the valuation range provided to us by our valuer, we consider that the valuation of property plant and equipment is overstated by £1 million. Further details are set out in the table below.

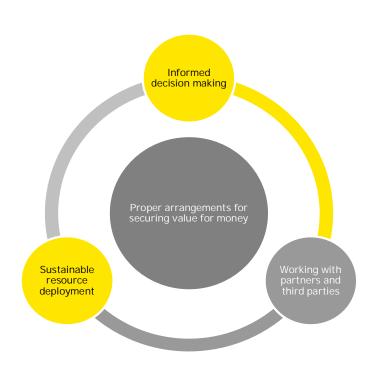
We do not consider these to be material to the financial statements, but ask that management's rationale as to why these are not corrected is approved by the Audit Committee and included in your Letter of Representation to us.

Unadjusted audit differences 31 March 2018 (£000)		Effect on the current period:		Balance Sheet (Decrease)/Increase		Reserves	
	Comprehensive income and expenditure statement Debit/(Credit)	Movement in Reserves Statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)	Revaluation Reserve Debit/ (Credit)
Judgemental Differences:							
Valuation of Harrow Lodge Leisure Centre							
- Property Plant & Equipment: Other Land & Buildings				(1,000)			
- Revaluation Reserve							1,000

We have no other uncorrected misstatement to bring to your attention.



Value for Money



Background

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

For 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.

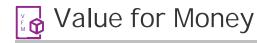
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We identified one significant risks around these arrangements, related to the establishment of a Joint Venture for the redevelopment and regeneration of the Rainham and Beam Park Housing Zone, Bridge Close, and 12 housing estates within the Borough.

The table below presents our findings in response to the risk included in our Audit Planning Report and any other issues we want to bring to your attention.

We have completed the work outlined in our Audit Plan and expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



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?	What arrangements did the risk affect?	What are our findings?
Establishment of Joint Venture The Council has entered into a Joint Venture arrangement for the redevelopment and regeneration of the Rainham and Beam Park Housing Zone, Bridge Close, and 12 housing estates within the Borough. Funding these schemes will commit the Council to significant levels of borrowing. Given the significance and importance of these decisions to the Council's strategic, operational and financial priorities, the effectiveness of the governance and risk management arrangements related to these key decisions are crucial. Key issues that should be addressed as part of these arrangements include: Clear and robust decision making, including consideration of legal powers. Exploration of options, costs and benefits. Treasury management and prudential borrowing considerations. Identification and mitigation of risks. How the Council identified and secured appropriate expertise and resource to support its decision making.	 Taking informed decisions; Deploying resources in a sustainable manner; and Work with partners and other third parties. 	 We have assessed the arrangements in place supporting the Joint Venture, focusing on: Assessing the governance and financial and risk management arrangements in place to support key decision making Understanding the financial implications and the key decisions being made Understanding how the Council is working with other bodies and partners in relation to these projects. We have not identified any issues in the review of the arrangements in place. We are therefore satisfied that the information provide to Members and Officers in respect of the joint venture arrangement is appropriate and is based on third party assessments and advice from appropriately knowledgeable professionals with relevant experience.



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 2017/18 with the audited financial statements.

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

Financial information in the financial statements 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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 not carried out our work in this area. We will report any matters to the Audit Committee should they arise.

Other reporting issues

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 did not identify any issues which required us to issue a report in the public interest.

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

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the 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 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, .g. application fees for taxi licenses or planning fees;
- sale of goods provided by the authority e.g. retail sales at leisure centres, concessionary sale at local authority theatres; and
- charges for services provided by a local authority e.g. maintenance for council dwellings or transport fares

IFRS 9 Financial Instruments:

The Council's view is that the impact of this standard on the Authority's financial statements will be immaterial. The Council will need to keep this standard under continued focus during 2018/19 because statutory overrides may be introduced by Central Government.





Assessment of Control Environment

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.





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



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 none of the non-audit services undertaken been provided 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. We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Proposed Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work	TBC**	160,344	151,844	172,702*
Non-audit work - Grant claims	TBC***	15,080	15,080	16,178

- * The proposed final fee for 2016/17 includes a proposed variation of £20,858 to the PSAA scale fee of £151,844. This arises from the additional procedures we undertook in relation to:
- The valuation of property, plant and equipment;
- The consolidation of balances relating to Mercury Land Holdings;
- · Obtaining transaction listings to support amounts disclosed in the Council's financial statements; and
- The Council's Whole of Government Accounts submission.

Further information on the additional procedures we undertook are included in our 2016/17 Audit Results Report. This report was presented to the September 2017 meeting of the Audit Committee. We have agreed the additional fee with the Council; the variation is currently being considered by PSAA Ltd.

- ** As reported in our Audit Planning Report, the 2017/18 planned fee did not include the additional audit fee in relation to the additional work required to address the significant value for money risk, or our consideration of the transactions and balances consolidated in respect of the Council's wholly owned subsidiary, Mercury Land Holdings. The estimated fee for this work is £8,500. As noted elsewhere within this report, we undertook additional work to test the significant movement in the valuation of Schools. The estimated additional fee for this work is £7,500. We will confirm our final fee for 2017/18 in our Annual Audit Letter.
- *** We will complete our work on the Council's Housing Benefit subsidy claim during September and October 2018. We will confirm our final fee for that work following the conclusion of our work on that claim.





Required communications with the Audit Committee

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

		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 - February 2018
Significant findings from the audit	 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Audit results report - July 2018



		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	Audit results report - July 2018
Misstatements	 Uncorrected misstatements and their effect on our audit opinion The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Material misstatements corrected by management 	Audit results report - July 2018
Subsequent events	• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report - July 2018
Fraud	 Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority Any fraud that we have identified or information we have obtained that indicates that a fraud may exist Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report - July 2018



		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the Authority	Audit results report - July 2018
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit results report - July 2018



		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	 Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report – July 2018 As noted elsewhere within our report, we are currently awaiting receipt of an investment confirmation.
Consideration of laws and regulations	 Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report - July 2018
Significant deficiencies in internal controls identified during the audit	Significant deficiencies in internal controls identified during the audit.	Audit results report - July 2018



		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	Written representations we are requesting from management and/or those charged with governance	Audit results report - July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - July 2018
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	Audit results report - July 2018
Fee Reporting	 Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report - February 2018 Audit results report - July 2018
Certification work	Summary of certification work	Annual Certification Report



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 London Borough of Havering ("the Group and Council") for the year ended 31st 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 the London Borough of Havering as of 31st 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
- 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:

[London Borough of Havering Council to provide details of unadjusted audit differences and reason for non-adjustment]



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 noncompliance 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, Cabinet 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: 31 July 2018.



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 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
- 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.
- 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

Yours faithfully

 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.

rodio raitinany,
Chief Operating Officer
Chair of the Audit Committee

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ED None

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