

Chichester District Council

Audit results report for the year ended 31 March 2014

September 2014

Ernst & Young LLP



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Private & Confidential
Corporate Governance & Audit Committee
Chichester District Council
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9 September 2014

Dear Members,

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Governance & Audit Committee. This report summarises our preliminary audit conclusion in relation to Chichester District Council's (the Council's) financial position and results of operations for the year ended 31 March 2014. We will issue our final conclusion after the Corporate Governance & Audit Committee scheduled for 25 September 2014.

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

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

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

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee meeting on 25 September 2014.

Yours faithfully
For and on behalf of Ernst & Young LLP

Paul King
Ernst & Young LLP
United Kingdom
Enc.

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

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

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

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

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

1. Overview of the financial statement audit

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

As auditors we are responsible for:

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

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

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

Financial statements

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

Significant risks:

Significant risk – Risk of Management Override.

Risk:

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

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

Results:

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

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

Risk:

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

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

Results:

Based on our work to date we are satisfied that the Council has included a reasonable provision in its financial statements although some work remains outstanding at 9 September for the Council to be able to show that the appeals provision is complete. We will verbally update the 25 September meeting of the Corporate Governance & Audit Committee with our

final findings. Our work has also highlighted some improvements that can be made to the Council's approach to making the estimate that should be considered in the methodology for future years.

Control themes and observations

Our audit detected no significant deficiencies in internal control. There are two issues that we wish to bring to your attention set out in Section 3 of this report.

Summary of audit differences

The financial statements were prepared to a good standard, were well supported by working papers and we received a good level of support from officers. Our audit identified a relatively small number of misstatements in the accounts presented for audit.

Economy, efficiency and effectiveness

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

Whole of Government accounts

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

Audit certificate

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

2. Scope update

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

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

We carried out our work in accordance with our Audit Plan.

3. Significant findings from the financial statement audit

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

Significant risk 1 – Risk of Management Override

Risk

As identified in International Standards on Auditing 240 UK & Ireland (ISA 240 UK&I), management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

We:

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

Our approach focussed on:

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

Our findings:

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

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

Risk

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

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

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

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

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

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

the financial statements.

We:

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

Our approach focussed on:

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

Our findings:

Based on our work to date we are satisfied that the Council has included a reasonable provision in its financial statements although some work remains outstanding at 9 September.

The Council has developed a model to estimate the provision included in the financial statements which we have reviewed. This is based on historic rateable value data from the 2005 and 2010 valuation listings. The Council has used this, together with information provided by the VOA on appeals outstanding at the end of 2013/14 against the 2005 and 2010 valuations, to determine the total rateable value of properties subject to appeal and estimate the likely cost of successful appeals. The Council independently commissioned external consultants to arrive at an estimate of the provision required. The work of the external consultants was also based on information provided by the VOA detailing appeals outstanding at the balance sheet date.

As part of work we identified two weaknesses in the Council's model:

- ▶ The estimate of the success rate used to inform the provision is based purely on professional judgement rather than any historical analysis of the actual success rate of appeals in the District.
- ▶ No allowance is made in the provision for appeals against the 2005 and 2010 valuations not yet lodged at the balance sheet date, meaning that the provision is understated. The Council originally disclosed that it was not possible to quantify appeals not yet lodged at the balance sheet date as part of the contingent liability disclosure in its financial statements.

We note that the provision calculated using the Council's model and included in the financial statements is within six per cent of the provision independently calculated by the external consultant. We also note that the Council intends to monitor actual success rates in the future to better inform its own model used to estimate the provision.

In light of these issues we asked the Council to undertake further work to determine whether there were any significant ratepayers that had not lodged an appeal at the balance sheet date, and whether there was any information the Council was aware of that may indicate those ratepayers are likely to lodge such an appeal. In response to this the Council considered its 30 largest business ratepayers. As at 9 September the Council is continuing to undertake this additional work. We will fully review the work when complete to satisfy ourselves that the provision is not materially understated and we will verbally update the 25 September meeting of the Corporate Governance & Audit Committee with our findings. The disclosure of appeals not yet lodged as a contingent liability has been removed from the amended financial statements.

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

We identified no significant deficiencies in internal control. There are, however, two matters which we wish to bring to your attention.

When the Council transferred housing stock in 2001 to Chichester District Community Housing Limited (now Hyde Housing Association Limited) the Council entered into an agreement with the housing association to claw back a proportion of any subsequent proceeds of sale of the transferred dwellings under right to buy and shared ownership legislation. Our testing of debtors identified that the Council is reliant on information provided by the Housing Association on the sale proceeds from disposals in calculating the amount owed to it each year. Inaccurate information was provided by the Housing Association to the Council in 2012/13, but this was not detected until 2013/14. We are satisfied that a correction was made for this in 2013/14 and that the issue is not material to our responsibilities.

The Council accounts for all contributions received under Section 106 of the Town and Country Planning Act as revenue contributions on its balance sheet. It should review its current process to determine whether some or all of the receipts should be properly accounted for as capital contributions in its financial statements.

3.1.1 Summary of Audit Differences

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

We have asked the Council to correct all misstatements over £72,000. It has made an adjustment to correct a misclassification between other sundry debtors and other local authority and public body debtors at Note 13 to the financial statements, This has reduced other sundry debtors by £415,500 and increased other local authority and public body debtors by £415,500. The adjustment made impacts on classification within the debtors note only. One further adjustment has been made to correct a debtor balance that had been incorrectly netted off. This has the impact of increasing both debtors and creditors by £75,000. The only other amendments made to the financial statements were minor and related to presentation and disclosure. There were no uncorrected misstatements.

4. Economy, efficiency and effectiveness

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

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

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

Other Risk – Council Spending

The Audit Commission produces value for money and financial ratio profiles for local authorities on an annual basis. This provides an indication of the relative spending of an individual authority against a comparator group of statistical nearest neighbours which are similar in terms of population, expenditure, and geographical area.

Our review of the 2012/13 VFM profile data showed that although the net level of Council spending after consideration of income received from fees and charges was low, the absolute level of spending on services was high relative to others. During 2013/14 the Council has continued to experience reductions in income for some service areas and has projected a shortfall on income budgets throughout the period.

In common with the majority of local government the Council continues to face significant financial challenges, and recognises a number of risks and uncertainties that could impact on its medium term financial plans. A clear focus on addressing high cost areas continues to be essential to the economy, efficiency and effectiveness of services delivered and the overall financial resilience of the Council. The successful delivery of the Council's deficit reduction plan agreed in May 2013, as part of its updated medium term financial plans, is therefore a significant factor in the Council being able to maintain its sound financial position.

Our approach focussed on:

- ▶ An assessment of the Council's relative spending based on updated value for money profile data. In particular, this will consider the high absolute level of spending of the Council relative to others suggested by the 2012/13 value for money analysis and the impact of any reductions in income on the relative net level of spending at the Council.
- ▶ Consideration of the robustness of the Council's medium term financial plans, considering in particular progress made in delivering the deficit reduction programme and the recent refresh of the Council's medium term financial strategy (MTFS) in December 2013 and the assumptions that underpin it.

Our findings:

Value for money profile data

We have used the latest available value for money profile data, largely relating to financial year 2012/13, to review the cost and efficiency of Council services relative to both its statistical nearest neighbours and all other district councils. The analysis suggests that the Council's costs per capita relative to its statistical nearest neighbours remains relatively high. However, the value of income generated from fees is in the top 5 per cent of its statistical nearest neighbour grouping resulting in an average council tax financing requirement compared to statistical nearest neighbours. The absolute level of net service spending is average relative to both statistical nearest neighbours and all district councils, although net spending per head of population is relatively high. The level of spending on individual service areas generally matches performance outcomes and the priorities of the Council.

The Council's medium term financial plans

The Council's financial position remains sound at the end of 2013/14 and it continues to be financially resilient with a surplus of £827,000 delivered against the General Fund budget. The minimum level of working balances deemed appropriate is set at £5 million for the General Fund. The actual level of unallocated balances at the end of 2013/14 is higher than the minimum, with approximately £8 million of General Fund reserves. The Council also held a further £24.5 million of other usable reserves at the end of 2013/14.

In common with most public sector bodies, recent government spending reviews and financial settlements have had a significant impact on the Council. The financial challenge facing the Council is clearly set out in its Medium Term Financial Strategy (MTFS) which was refreshed during the year and now covers the period 2014/15 to 2018/19. The impact of reductions in funding is the key driver of the projections in the MTFS. We are satisfied that the MTFS has been properly updated in light of the current economic climate, particularly through projected reductions in available funding, inflation and the impact of recent legislative changes, for example welfare reform and the localisation of council tax support and business rates. The Council has also not used New Homes Bonus grant funding to balance its revenue budget and in general takes a prudent approach to financial management. There is a good track record of delivering efficiencies that have produced savings and the Council has an established deficit reduction programme.

However, the scale of the financial challenge faced by the Council continues to grow. It anticipates further funding reductions over the medium term which, without intervention, would create a deficit in its revenue position. The current MTFS projects that small surplus will be made each year without the need to call on reserves through to 2016/17. However, the model forecasts small but increasing deficits in 2017/18 and 2018/19 unless current shortfalls on income budgets are addressed or further cost savings made.

5. Status of our work

5.1 Financial statement audit

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

Item	Actions to resolve	Responsibility
Letter of representation	<ul style="list-style-type: none"> ▶ To be tabled at the Corporate Governance & Audit Committee on 25 September 2014. 	Management and Corporate Governance & Audit Committee
Annual accounts	<ul style="list-style-type: none"> ▶ Council completion and EY review of additional work undertaken by the Council to assess the impact on the NNDR rateable value appeals provision of appeals not yet lodged at the balance sheet date. ▶ EY receipt and consideration of assurances requested from the auditor of West Sussex Pension Fund. ▶ Approval of accounts by the Corporate Governance & Audit Committee. ▶ Accounts re-certified by the Head of Finance and Governance Services. 	Management, Corporate Governance & Audit Committee and EY

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

5.2 Economy, efficiency and effectiveness

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

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

5.3 Objections

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

6. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2013/14 £	Planned fee 2013/14 £	Scale fee 2013/14 £
Total Audit Fee – Code work	64,553	64,553	64,553
Certification of claims and returns	5,456*	5,456	5,456

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

Our proposed final fee is in line with the agreed fee.

7. Independence confirmation update

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

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Corporate Governance & Audit Committee on 25 September 2014.

Appendix A Required communications with the Corporate Governance and Audit Committee

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

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit	Audit Results Report
<ul style="list-style-type: none"> ▶ 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) 	
Misstatements	Audit Results Report
<ul style="list-style-type: none"> ▶ 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 ▶ In writing, corrected misstatements that are significant 	
Fraud	Letter from Chair of Corporate Governance & Audit Committee
<ul style="list-style-type: none"> ▶ Enquiries of the Corporate Governance & Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:	Audit Results Report
<ul style="list-style-type: none"> ▶ 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 entity 	
External confirmations	Not Applicable
<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Corporate Governance & Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	<p>Letter from Chair of Corporate Governance & Audit Committee</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 	<p>Audit Plan and update in section 7 of this report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ 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 	<p>Audit Results Report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit Results Report</p>
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	<p>Audit Plan, Audit Results Report and Annual Audit Letter</p>
<p>Summary of certification work undertaken</p> <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	<p>Annual Certification Report – to be issued in December 2014.</p>

Appendix B Letter of representation

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

Chichester District Council - Audit for the year ended 31 March 2014

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

A. Financial Statements and Financial Records

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

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

I confirm that as the Responsible Officer I have:

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

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

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

B. Fraud

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

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

C. Compliance with Laws and Regulations

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

D. Information Provided and Completeness of Information and Transactions

I have provided you with:

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

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

I have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on 25 September 2014.

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

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

E. Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

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

I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that I have given to third parties.

F. Subsequent Events

Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

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

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

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

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

H. Segmental reporting

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

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

I. Going Concern

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

Signed on behalf of Chichester District Council

I confirm that this letter has been discussed and agreed by the Corporate Governance & Audit Committee on 25 September 2014.

Signed:

Name: John Ward

Position: Head of Finance and Governance Services

Date: 25 September 2014

Signed:

Name: Councillor P M Tull

Position: Chair of the Corporate Governance & Audit Committee

Date: 25 September 2014

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