

# *Huntingdonshire District Council*

*Report to those charged with governance*

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

Government and  
Public Sector

25 September 2015

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# Contents

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

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

<b>Executive summary</b>	<b>2</b>
<b>Audit approach</b>	<b>3</b>
<b>Significant audit and accounting matters</b>	<b>7</b>
<b>Internal controls</b>	<b>13</b>
<b>Risk of fraud</b>	<b>15</b>
<b>Fees update</b>	<b>17</b>
<b>Appendices</b>	<b>18</b>
<b>Appendix 1: Letter of representation</b>	<b>19</b>

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

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## **Executive summary**

### **Background**

This report tells you about the significant findings from our audit. We presented our plan to you in February 2015. Since this plan our risk assessment has remained unchanged, except that we have reviewed the plan and reassessed the level of audit risk in relation to the valuation of non-current assets. We have increased the rating of this audit risk, from elevated to significant, in light of updated PwC guidance. Further details on this risk are set out in the audit plan section below.

### **Audit Summary**

We have now completed all of our audit work. We expect to be able to issue an unqualified audit opinion on the Statement of Accounts for the year ended 31 March 2015, by the 30 September 2015 deadline.

There are 4 key judgments which require the Corporate Governance Panel's attention – further details are set out commencing on pages 8-9.

Please note that the final version of this report will be sent to PSAA in accordance with the requirements of its standing guidance.

[This report has been annotated in blue to show clearly amendments from the draft report presented to the Corporate Governance Panel.](#)

# Audit approach

Our audit approach was set in our audit plan which we presented to you in February 2015. This risk assessment has been updated as set out on page 2.

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

Risk	Categorisation	Audit approach and results of work performed
<p><b>Management override of controls</b></p> <p>ISA (UK&amp;I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p>Significant ●</p>	<p>As part of our assessment of your control environment we have considered those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Reviewed the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards;</li> <li>• Tested the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus;</li> <li>• Reviewed accounting estimates for bias and evaluated whether judgment and estimates used are reasonable (for example pension scheme assumptions, valuation and impairment assumptions);</li> <li>• Understood and evaluated key controls over material theft of assets, such as bank reconciliations and dual signatories for large payments/ purchases, and independently circularised banks and loan providers;</li> <li>• Evaluated the business rationale underlying any significant and unusual transactions; and</li> <li>• Performed unpredictable procedures targeted on fraud risks.</li> </ul> <p>Our work has identified no specific concerns in this area, however, we wish to draw the Panel’s attention to the estimation of the provision recognised by management in respect of appeals for Non-Domestic Rates (NDR). Details can be found on page 10.</p>

Risk	Categorisation	Audit approach and results of work performed
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumption that there are risks of fraud in revenue recognition.</p> <p>We extend this presumption to the risk of fraud in recognition of <u>expenditure</u> in local government.</p>	<p>Significant ●</p>	<p>We have obtained an understanding of and evaluated key controls over the recognition of revenue and expenditure.</p> <p>We have evaluated and tested the accounting policies for income and expenditure recognition to ensure that these are consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p>We have also performed detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</p> <p>We have considered journals affecting revenue and expenditure recognition within our work on management override above.</p> <p>No issues were noted with the testing performed.</p>

Risk	Categorisation	Audit approach and results of work performed
<p data-bbox="607 215 1077 247"><b>Valuation of non-current assets</b> ▶</p> <p data-bbox="607 272 1059 517">The Council’s measurement of its properties at fair value involves a range of assumptions and the use of external valuation expertise. ISAs (UK&amp;I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p> <p data-bbox="607 536 1066 671">Whilst you are only required to re-value your property, plant and equipment (PPE) at least once every 5 years, there is a requirement to assess the carrying value of your assets for impairment every year.</p> <p data-bbox="607 699 920 726">Specific areas of risk include:</p> <ul data-bbox="714 730 1070 1031" style="list-style-type: none"> <li data-bbox="714 730 1032 810">• The accuracy and completeness of detailed information on assets;</li> <li data-bbox="714 815 1066 922">• Whether the Council’s assumptions underlying the classification of assets are appropriate; and</li> <li data-bbox="714 927 1070 1031">• The valuer’s methodology, assumptions and underlying data, and our access to these.</li> </ul> <p data-bbox="607 1035 1055 1171">Because of the significant value of PPE in the Council’s accounts, and the level of judgement involved in revaluations, we have reassessed this as a <b>significant</b> risk for the 2014/15 audit.</p>	<p data-bbox="1173 215 1317 247">Significant ●</p>	<p data-bbox="1368 215 1962 247">Where asset valuations are undertaken in-year we have:</p> <ul data-bbox="1417 264 2069 464" style="list-style-type: none"> <li data-bbox="1417 264 2069 320">• agreed the source data used by your valuer to supporting records;</li> <li data-bbox="1417 336 2069 392">• assessed the work of your valuer through use of our own internal specialists; and</li> <li data-bbox="1417 408 1995 464">• agreed the outputs to your fixed asset register and statements.</li> </ul> <p data-bbox="1368 480 2112 756">Where assets were not revalued in-year, we have reviewed your impairment assessment and your consideration of the appropriate current value of these assets, and evaluated whether your assets are held at an appropriate value in your statements at the year-end. We have also sought confirmation from the Council, supported by its external valuer, that there has not been a material increase in value of these assets in the year that should be recognised in the accounts. This is particularly relevant this year as the largest class of its assets by value, the Leisure Centres, were not revalued as they were covered in 2013/14.</p> <p data-bbox="1368 812 1888 839">No issues were noted with the testing performed.</p>

### *Intelligent scoping*

In our audit plan presented to you in February 2015 we reported our planned overall materiality which we used in planning the overall audit strategy, based on the total expenditure for 2013/14. Our materiality varied because we have updated it for the actual total expenditure per the draft statements for 2014/15.

Our revised materiality levels are as follows:

	<b>£</b>
Overall materiality	£1,706,000
Clearly trivial reporting de minimis	£85,300

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

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

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# *Significant audit and accounting matters*

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

## *Accounts*

We have now completed our audit work on the Statement of Accounts, and we anticipate to issue an unqualified audit opinion.

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

## *Accounting issues*

We have identified the following accounting issues which we wish to bring to the attention of the Authority:

- Pensions liability
- Valuation of property, plant and equipment
- NDR safety net calculation; and
- Recognising provisions and other expenditure – NDR provision

### *1. Pensions liability*

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Cambridgeshire Pension Fund, for which Huntingdonshire District Council is an admitted body. Your net pension liability at 31 March 2015 was £80 million (2014 - £61 million).

We reviewed the reasonableness of the assumptions underlying the pension liability and we undertook audit work on the data supplied to the actuary on which to base their calculations. We have no matters to draw your attention to in this regard.

As part of our audit procedures we receive information under a protocol from the external auditors of the Cambridgeshire County Council Local Government Pension Scheme, which provides assurance over the existence and valuation of scheme assets in particular. Consistent with our prior year *Report to the Corporate Governance Panel*, as expected we have identified a difference between the estimated scheme assets used within the actuarial calculation and the actual scheme assets held by the pension fund as at 31 March 2015. In comparing the asset value per the actuary's report to the

admitted body's share of the audited pension fund assets, we are comparing two estimates. In effect we are using the estimated percentage share of the audited assets figure to assess the reasonableness of the actuary's estimate. In our view as a firm, and consistent with the prior year, a reasonable threshold would be +/- 5% of the asset value.

The work on the scheme assets has now been completed and we have identified no significant difference between the value of scheme assets used by the actuary and those included in the accounts of the pension fund.

## *2. Valuation of Property, Plant and Equipment*

The Authority holds a significant property, plant and equipment (PP&E) portfolio and, in common with other authorities, each year a number of significant judgements are required in order to generate the figures in the financial statements.

The draft accounts include total PP&E with a net book value of £65.5m, largely made up of land and buildings (net book value of £48.6m). The Authority has utilised the expertise of an external valuation expert, Barker Storey Matthews (BSM), to value a proportion of the Authority's PP&E and investment properties. The Authority operates a 3 year cycle of revaluation and this year (year 2) covered £9.3million of land and buildings, resulting in an upward revaluation of £150k.

Leisure Centres represent the largest element of the Council's estate, and these have not been valued during 2014/15 as they were revalued in 2013/14. BSM have however determined that there is no material impairment to recognise against the carrying value of those assets in 2014/15. However, given the significant value of Leisure Centres we have requested that the Authority obtains assurances from their expert valuers that there is no material revaluation in year. A relatively small percentage increase in value of Leisure Centres has the potential to result in a material movement in the financial statements.

Our valuation expert will consider the following items when reviewing the valuation:

Huntingdonshire District Council

- The valuer's qualifications, credentials and objectivity;
- The suitability of the methodology adopted in valuing the assets;
- The key inputs in the valuations, where visible: and
- The valuer's assessment of movements in assets which have not been revalued.

This work has been completed and our valuation experts have concluded that we are able to rely on the work of BSM to gain assurance over the valuation of PPE.

## *3. NDR Safety Net Calculation*

In August the Department for Communities and Local Government release a revised calculation template for the non-domestic rates safety net calculation. As a result of the revised calculation the Authority's position in respect of 2014/15 moved from a levy position of £72,000 to a safety net provision of £772,000, a total increase of £845,000.

We have considered the revised calculation and concluded that the calculation is appropriate. We have considered the guidance issued by CIPFA and the relevant standards and concur with the Council's treatment that this is a non-adjusting event. Therefore the Council has correctly not recognised this change in revenue in 2014-15. The additional income will thus be recognised in 2015-16.

## *4. Provision against Non-Domestic Rates Appeals*

Each year the Authority provides against appeals made against non-domestic rates assessments. At 31 March 2015 the total provision in the Collection Fund stands at £8.3million, an increase from last year's provision which was

£5.1m. The Council in turn reports 40% of this provision in its own accounts, being £3.1m.

The Council utilises the services of an external expert, Analyze Local to inform their provisioning, as they did last year.

The level of provision is driven by three key factors: the number of claims; the success rates on appeal, and the average value of successful appeals. The number of claims has risen in 2014/15 due to a 31 March 2015 deadline being set nationally for historic claims. This would be expected to increase the level of provision required, but we would also expect that management's estimate take account of the fact that a number of these late claims may be of lower merit and more speculative than those in the past. We have challenged management to show that this has been factored into the expert's estimate.

In order to assess the reasonableness of management's estimate, we have conducted a high level review based on the historic success rates of appeals in 2014/15, and the average amount of such successful claims. This suggests that the Authority's provision may be overly prudent, with the 2014/15 estimate being £2.5m greater than our calculation. The amount recognised in the Collection Fund in respect of these appeals is £8.3m.

In conjunction with the lack of adjustment of later claims to reflect their probably lower likelihood of success this may indicate a material overstatement of this provision in the Collection Fund, but not the Council's own financial statements as reported, as the Council only bears 40% (c£1m) of these costs.

We discussed this difference in estimation with the Authority and their experts. Whilst the methodology used by the experts appears reasonable, it was not possible for us to explain the apparent difference in our estimations. We

therefore believe that the Authority's estimate may be over prudent.

This is however a difference in judgement on estimations and is not material to the accounts of the Authority. Consequently we do not consider this an error for inclusion in the SUM. However, we draw this judgement to the attention of the Authority as a key estimate in the accounts, and strongly recommend that the Authority continues to review this provision, particularly as more historic data becomes available over time, to ensure that it represents a best estimate of the likely costs.

### *Misstatements and significant audit adjustments*

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. We do not have any uncorrected financial misstatements or disclosure misstatements to report, other than the difference in judgement on the appeals provision above.

### *Significant accounting principles and policies*

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

### *Judgments and accounting estimates*

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

- Valuation of Property, Plant and Equipment and Investment Properties;
- Depreciation of Property, Plant and Equipment;
- Bad Debt Provision;
- Accruals; and
- Provisions, including the provision for Non-Domestic Rates appeals

We have completed work on these areas of judgement have concluded that these judgments are materially correct for inclusion in the statements. However, please refer to the point we have raised on page 8 in respect of the calculation of the provision for Non-Domestic Rate appeals.

### *Management representations*

The final draft of the representation letter that we ask management to sign is attached in Appendix 2.

In addition to the standard representations we have, as in 2013/14, requested specific representations on use of valuation experts.

### *Related parties*

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

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

We have performed additional procedures including review of declaration of interests, internet searches for Directorships and review of expenditure listings as part of our work to

consider the completeness of material related party disclosures.

We have identified no significant issues however, as in the previous year, the Authority has not captured all instances of when Members are acting as representatives to organisations, nor Directorships. However, our findings did not identify any related party transactions in those cases.

### *Audit independence*

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “Communication with those charged with governance”, UK Ethical Standard 1 (Revised) “Integrity, objectivity and independence” and UK Ethical Standard 5 (Revised) “Non-audit services provided to audited entities” issued by the UK Auditing Practices Board. Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

#### *Relationships between PwC and the Authority*

We are not aware of any relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

#### *Relationships and Investments*

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

### *Employment of PricewaterhouseCoopers staff by the Authority*

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

### *Business relationships*

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

### *Services provided to the Authority*

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

In addition to the audit of the Statement of Accounts, PwC has also undertaken other work to form our value for money conclusion and have undertaken certification of claims and returns, as required by the Audit Commission.

### *Fees*

The analysis of our audit and non-audit fees for the year ended 31 March 2015 is included on page 14. In relation to the non-audit services provided, none included contingent fee arrangements.

### *Services to Directors and Senior Management*

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

### *Rotation*

It is the Audit Commission's policy that engagement leaders at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission's view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to

reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve engagement leaders for an additional period of up to no more than two years, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor's independence or objectivity.

### *Gifts and hospitality*

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

### *Conclusion*

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

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

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

### *Annual Governance Statement*

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

We have conducted a high level review of the AGS and provided comments to management. We have also completed our detailed review of the AGS to consider whether it complies with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it

is misleading or inconsistent with other information known to us from our audit work.

We have detected no inconsistencies with requirements of the above framework.

### *Economy, efficiency and effectiveness*

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

The Audit Commission guidance includes two criteria:

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

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

We have reviewed and discussed with the Authority its Medium Term Financial Plans and the pressures which it faces, along with the Council's plans to seek financial balance. We have also considered the reasonableness of the assumptions made by the Authority in the Plan.

We have not identified any particular areas of concern in the plans and therefore intend to provide an unqualified opinion.

# Internal controls

## Accounting systems and systems of internal control

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

The significant matters that we wish to bring to your attention are summarised in the table below

## Reporting requirements

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

We have rated the matters identified as either High Risk (Red), Medium Risk (Amber) or Low Risk (Green) below.

## Summary of significant internal control deficiencies

Deficiency	Level	Recommendation	Management's response
<p><b>No formal authorisation process for journals</b></p> <p>The current policy for journal review is that any journals over £850k raised by the junior accounting team are reviewed. No other review is carried out</p>	Medium	The authority should consider performing further reviews of the journals raised. We would recommend either all journals are reviewed as they are raised or a sample of journals across all individuals is reviewed on a monthly basis.	<p>As noted, where an accountant below Principal Accountant level generates a journal of more than £850,000, this is reviewed by either a Principal Accountant or the Accountancy Manager (this does not apply to "interface" journals).</p> <p>For journals below £850,000 that are produced by an accountant below Principal Accountant, a new process will be introduced whereby a random 10% sample of journals will be reviewed by either a Principal Accountant or the Accountancy Manager.</p>

<p><b>Bank reconciliations</b></p> <p>The authority is in the process of rectifying historic reconciling items on the bank reconciliations, however, there are still a number of reconciling items that date back a number of years. Furthermore, there is no evidence that the bank reconciliations are reviewed.</p>	<p><b>Medium</b></p> <p> The authority should continue to rectify the historic reconciling items to ensure that these are no longer included on the statements.</p> <p>The authority should also perform reviews of the bank reconciliations and retain the evidence of this review</p>	<p>With regard to historic balances within the bank reconciliation, these have been removed, and were removed in Period 13 of 2014/15.</p> <p>All bank reconciliations from September 2015 onwards will be reviewed by the Accountancy Manager.</p>
<p><b>No formal authorisation process for fixed asset disposals</b></p> <p>The authority does not have any formal process for reviewing or authorising fixed asset disposals.</p>	<p><b>Medium</b></p> <p> The authority should look to implement a formal authorisation process for disposals to ensure fixed assets are being disposals of appropriately.</p>	<p>A formal Disposals and Acquisitions Policy: Land and Property was approved by Cabinet on Thursday 18th June 2015.</p>
<p><b>Depreciation Policy</b></p> <p>Fixed assets are not depreciated in the first year of purchase so depreciation on newly purchased assets is understated. We are comfortable that this does not cause a material misstatement, however, management should consider including a note in their accounting policies to state this</p>	<p><b>Low</b></p> <p> Management should update their accounting policies in the statements to disclose their accounting policy in relation to the first year of depreciation.</p>	<p>The Depreciation Policy will be updated for the 2015/16 Annual Financial Report.</p>

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# *Risk of fraud*

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

## **Auditors' responsibility**

Our objectives are:

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

## **Management's responsibility**

Management's responsibilities in relation to fraud are:

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

## **Responsibility of the Corporate Governance Panel**

Your responsibility as part of your governance role is:

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

## **Your views on fraud**

In our audit plan presented to the Audit Committee in February 2015 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

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

## The Fraud Triangle



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# *Fees update*

## *Fees update for 2014/15*

We reported our fee proposals in our plan.

Our actual fees were in line with our proposals and are detailed in the table below.

	2014/15 outturn	2014/15 fee proposal
Statement of Accounts (including whole of government accounts)	70,981	70,981
External audit local risk work	7,500	7,500

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

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# *Appendices*

# *Appendix 1: Letter of representation*

[On Authority headed paper]

***PricewaterhouseCoopers LLP***

10 Bricket Road  
St Albans  
Hertfordshire  
AL1 3JX

Dear Sirs

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

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

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

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

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

### ***Statement of Accounts***

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the Service Reporting Code of Practice 2014/15; in particular the Statement of Accounts give a true and fair view in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.
- Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires adjustment or disclosure have been adjusted or disclosed.
- [There are no uncorrected misstatements](#)

### ***Information Provided***

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

### ***Accounting policies***

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

### ***Fraud and non-compliance with laws and regulations***

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

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the Statement of Accounts.
- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Statement of Accounts.

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

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

### ***Related party transactions***

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

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

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

### ***Employee Benefits***

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

### ***Contractual arrangements/agreements***

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

### ***Litigation and claims***

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

### ***Taxation***

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

In particular:

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

### ***Bank accounts***

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

### ***Subsequent events***

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

### ***Assets and liabilities***

- The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Statement of Accounts.
- In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.
- The Authority has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the Statement of Accounts.
- I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

### ***Financial Instruments***

- Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the statement of accounts. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the Statement of Accounts.
- All embedded derivatives have been identified and appropriately accounted for under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- Where hedging relationships have been designated as either firm commitments or highly probable forecast transactions, I confirm that our plans and intentions are such that these relationships qualify as genuine hedge arrangements.
- Where fair values have been assigned to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

### ***Retirement benefits***

- All retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.
- All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.
- The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:
  - Rate of Increase in Salaries 4.3%
  - Rate of Increase of Pensions 2.4%
  - Rate of discounting scheme liabilities 3.2%

Longevity at 65 for current pensioners

- Men 22.5
- Women 24.5

Longevity at 65 for future pensioners

- Men 24.4
- Women 26.9

***Using the work of experts***

I agree with the findings of Baker Storey Matthews (BSM), experts in evaluating the valuation of property and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts. In particular we concur with BSM’s assessment that there has been no material increase in the value of fixed assets not formally revalued in 2014/15.

I also agree with work performed by Inform CPI – Analyse Local over the Non Domestic Rates appeals provision and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts. The figure stated in the Statement of Accounts and in the Collection Fund is a best estimate on the work performed by Inform CPI – Analyse Local.

***National Domestic Rate appeals provision***

As noted above, I have considered the work of CPI Inform – Analyse Local in establishing the provision for NDR appeals. I confirm that the total provision in the Collection Fund of £8,298,662 is the best estimate of the amount of lost revenue as a result of those outstanding appeals

.....  
Clive Mason CPFA

Responsible Financial Officer – Head of Resources



For and on behalf of Huntingdonshire District Council

**Date** .....

## Appendix 1 - Related parties and related party transactions

<b>Name</b>	<b>Relationship to HDC</b>	<b>Declared related party transaction</b>
Ablewhite, Jason	Member	
Akthar, Sid	Member	
Baker, Keith	Member	
Baker, Mike	Member	£37,000 (Community Grant for voluntary organisations)
Bates, Ian	Member	
Boddington, Barbara	Member	
Bucknell, Peter	Member	
Bull ,Graham	Member	
Butler, Eric	Member	
Cambs City Council	Shared Services	
Cambs County Council	Shared Services	
Carter, Robin	Member	
Cawley, Stephen	Member	
Chapman, Barry	Member	
Churchill, Ken	Member	
Conboy, Sarah	Member	
Criswell, Steve	Member	
Curtis, Angela	Member	
Curtis, Ian	Member	
Davies, John	Member	
Dew, Douglas	Member	
Dickinson, Angela	Member	
Duffy, Lisa	Member	
Farrer, Bob	Member	
Francis, Mike	Member	
Fuller, Ryan	Member	
Gardener, Ian	Member	
Giles, Derek	Member	
Gray, Jonathan	Member	
Hansard Andrew	Member	
Hardy, Andrew	Member	

<b>Name</b>	<b>Relationship to HDC</b>	<b>Declared related party transaction</b>
Harlock, Greg	Member	
Harrison, Roger	Member	
Harty, David	Member	
Hayward, Terry	Member	
Howe, Robin	Member	
Hyland, Barry	Member	
Ingram, Steve	Chief Officer	
Jordan, Patricia	Member	
Kadewere, Patrick	Member	
Kadic, Laine	Member	
Lancaster, Joanne	Chief Officer	
Longford, Paula	Member	
MacKender-Lawrence, Alan	Member	
Mason, Clive	Chief Officer	
Mathews, Rita	Member	
McCurdy Nigel	Chief Officer	
Mitchell, Peter	Member	
Morris, John	Member	£199,652 (Crash bed for homelessness)
Oliver, Mark	Member	
Reeve, Peter	Member	
Reynolds, Deborah	Member	
Sanderson, Tom	Member	
Shellens, Mike	Member	
Slatter, Julie	Chief Officer	
South Cambs District Council	Shared Services	
Tuplin, Dick	Member	
Tysoe, Darren	Member	
Ursell, Paul	Member	
VanDeKerkhove, Steve	Member	
West, Richard	Member	



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

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

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