

Erewash Borough Council

Audit Results Report - ISA (UK and Ireland) 260 for the
year ended 31 March 2016

27 September 2016

Ernst & Young LLP



Building a better
working world

Contents

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Contents

1. Executive summary	1
2. Responsibilities and purpose of our work.....	3
3. Financial statements audit	4
4. Value for money	8
Appendix A – Detailed audit findings	100
Appendix B – Independence.....	111
Appendix C – Auditor fees	122
Appendix D – Draft audit report.....	133
Appendix E – Management representation letter.....	166
Appendix F – Required communications with the audit committee	19

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and 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 from 1 April 2015’ issued by 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 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. This report is intended solely for the use of the Members of the audited body. 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. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Key Findings
Status of the audit	<p>We have substantially completed our audit of the financial statements of Erewash Borough Council for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items, we expect to issue an audit opinion in the form which appears in Appendix D:</p> <ul style="list-style-type: none"> ▶ Final review and casting of the final financial statements; ▶ Audit completion steps including our subsequent events review; and ▶ Receipt of the signed management representation letter. <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We are completing the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We currently have no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Objections	<p>We have not received any objections to the 2015/16 accounts from members of the public.</p>
Audit differences	<p>There are no unadjusted or adjusted audit differences.</p>
Scope and materiality	<p>In our audit plan presented at the February Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1,109k based on 2% of expenditure at cost of services level in 2014-15. We have reassessed this based on the actual results for the financial year resulting in an increase in materiality to £1,136k.</p> <p>The threshold for reporting audit differences which impact the financial statements increased from £55k to £57k.</p> <p>The following area is one where misstatement at a level lower than our overall materiality level might be considered as sensitive in nature. For this area we developed an audit strategy specific to address this:</p> <ul style="list-style-type: none"> ▶ Remuneration disclosures including payment to the highest paid employees and directors. <p>We carried out our work in accordance with our Audit Plan.</p>
Significant audit risks	<p>We identified the following significant audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none"> ▶ Risk of management override. ▶ Revenue and expenditure recognition. <p>In addition, we identified one 'other' risk:</p> <ul style="list-style-type: none"> ▶ Consideration of the valuation of the Council's asset base <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.</p>

Area of Work	Key Findings
Other reporting issues	We have no other matters we wish to report.
Control observations	We have adopted a fully substantive approach and have therefore not tested the operation of controls. We have identified a control finding from our review of the IT control environment.
Value for Money conclusion	As set out in our Audit Plan, we identified a significant risk around financial resilience given the ongoing reduction in central government funding and the anticipated gaps between income and expenditure over the life of the Medium Term Financial Strategy. On the basis of the work performed, we propose to issue an unqualified value for money conclusion. Further details are included at Section 4 to this report.

We would like to take this opportunity to thank Ian and the Council's staff for their assistance and cooperation during the course of our work.

Steve Clark
Partner
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

2.1 The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, 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.

2.2 Purpose of our work

Our audit was designed to:

- ▶ Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- ▶ Report on an exception basis on the Annual Governance Statement;
- ▶ Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- ▶ Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

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 are specified by the National Audit Office.

3. Financial statements audit

3.1 Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity’s controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant financial statements risk	EY's audit response	Assurance gained and issues arising
Risk of management override		
<p>As identified in ISA (UK and Ireland) 240 'The Auditor's responsibilities relating to fraud in the audit of financial statements', 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.</p>	<ul style="list-style-type: none"> ▶ Made inquiries of management about risks of fraud and the controls put in place to address those risks. ▶ Reviewed accounting estimates for evidence of management bias. ▶ Developed a testing approach to journal entries. ▶ Tested the appropriateness of a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. ▶ Assessed key accounting estimates for evidence of management bias. ▶ Remained sceptical for the existence of any significant unusual transactions. 	<p>Our audit work has not identified any evidence of management override of controls.</p> <p>In particular, our testing of journal entries has not identified any significant issues.</p>
Revenue and expenditure recognition		
<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Erewash Borough Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> ▶ There is little incentive to manipulate revenue recognition. ▶ Opportunities to manipulate revenue recognition are very limited. 	<ul style="list-style-type: none"> ▶ Reviewed and tested revenue and expenditure recognition policies; ▶ Reviewed, tested and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ▶ Developed a testing strategy to test samples of material revenue and expenditure streams; and ▶ Reviewed and tested revenue cut-off at the period end date. 	<p>Our audit work has not identified any significant issues in respect of revenue or expenditure recognition.</p>

Significant financial statements risk	EY's audit response	Assurance gained and issues arising
<p>However, revenue in this context has been modified by Practice Note 10 which states that auditors should also consider the risk that material misstatements due to fraudulent financial reporting may arise for the manipulation of expenditure recognition.</p> <p>Having considered the factors for expenditure recognition, we believe the risk lies within other operating expenditure and in particular the completeness of short term creditors (specifically accruals), cut off procedures over expenditure and the completeness of 'other service expenditure' (as defined by the Council in its financial statements).</p>	<p>▶ Reviewed post year-end transactions for evidence of unrecorded liabilities at the Balance Sheet date.</p>	

We also identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Other financial statement risk	EY's audit response	Assurance gained and issues arising
Asset valuation		
<p>During the year the Council valued its portfolio of land and building assets.</p>	<p>We performed procedures to confirm that the Council had appropriately accounted for valuation movements including sample testing of valuations back to the report of the valuer to confirm appropriate amendments had been made to carrying values in the asset register.</p> <p>We considered the qualifications and independence of the valuer engaged to perform the valuation.</p>	<p>Our testing confirmed that the Council has appropriately accounted for the changes in valuation and included relevant disclosures in the financial statements.</p> <p>We are satisfied that the valuer is appropriately qualified and experienced and independent of the Council.</p> <p>There are no further matters to note.</p>

3.2 Opening balances

We have performed relevant audit procedures on the Council's opening balances confirming that they have been correctly rolled forward from the 2014/15 audited financial statements.

3.3 Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that

are significant to you oversight of the Council's financial reporting process, including the following:

- ▶ Qualitative aspects of your accounting practices; estimates and disclosures;
- ▶ Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- ▶ Any significant difficulties encountered during the audit; and
- ▶ Other audit matters of governance interest.

We have no matters we wish to report.

3.4 Control themes and observations

It is the responsibility of the Council 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 Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

During our audit procedures and consideration of the IT control environment we identified that the administration of the Oracle E-Business Suite system is within the Finance team. Users with administrator access have full access to areas that are not required as part of daily duties. We also identified that there is no reporting and review of changes to data within the ledger system such as those to supplier bank details.

We recommend:

- that use of the administrator access should be limited to specific tasks that require the additional functionality and that the Council considers review of any activity under this access level.
- That the Council consider how checks can be performed on changes to underlying information within the ledger, and the frequency of these.

3.5 Annual Governance Statement

We have reviewed the Annual Governance Statement for consistency with our knowledge of the Council and the underlying systems of governance and control including the findings of Internal Audit. We can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

3.6 Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix E.

3.6.1 Whole of Government Accounts

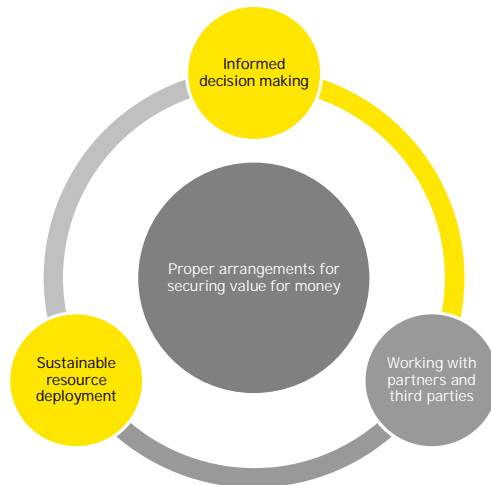
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

This work has yet to be completed and we will report any matters that arise to the Audit Committee.

4. Value for money

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 2015/16 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.

4.1 Risks

As set out in our Audit Plan, we identified a significant risk around financial resilience given the ongoing reduction in central government funding and the anticipated gaps between income and expenditure over the life of the Medium Term Financial Plan.

4.1.1 Significant Risk - findings

Reduced levels of central government funding mixed with challenging local socio-economics and demographics means the Council needs to identify a significant amount of efficiency and cost savings in the next three to five years.

In setting the 2016-17 budget and updated Medium Term Financial Strategy (MTFS) in February 2016, the Council set a balanced budget for 2016/17 following contributions from balances of £366k.

The Council’s Medium Term Financial Strategy (MTFS) was approved in February 2016. The MTFS sets out the scale of savings the Council expects to have to make in the period 2016/17 to 2018/19. The Council expects to have to make cumulative savings/income/efficiencies of £1.8 million over this period, equivalent to a 3.2% reduction on 2015/16 expenditure levels. At this stage, savings are yet to be identified and this results in a cumulative budget gap of £1.8 million over the next three years.

The Council’s s151 officer is currently in discussion with the Head of Finance on the options available to the Council to close that gap. This is in preparation for the budget papers that will go to Cabinet in February 2017.

The Council has a good recent record of identifying and making savings, and in meeting its budget as underspends have been recorded in each of the past three years as noted below

	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000
(Surplus)/deficit outturn	(958)	(491)	(936)	(2,385)

While recognising that incrementally savings become harder to achieve, the Council's recent historic performance in delivering recurrent savings and achieving budget surpluses demonstrates its ability to deliver savings in the future.

The Council currently has a good level of un-earmarked general fund reserves. These were £5.8 million at 31 March 2015 and £5.8 million as at 31 March 2016, which is above the minimum levels range set by the Council's s151 officer of £3.4m. This level of reserves provides the Council with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Council's financial standing. The Council plans to retain reserves above the minimum level over the term of the MTFS.

The Council also has in place substantial levels of earmarked reserves. These were £2.8 million at 31 March 2015 and £3.2 million at 31 March 2016. These has have been established for a number of purposes, including the financial consequences of matters that have not yet arisen (for example, to equalise the effect of changes in Business Rate income), or to fund specific service areas/projects. The existence of these reserves provides further evidence of the Council's prudent approach to financial management. The Council aims to maintain these at a similar level over the MTFS.

It is recognised that reserves cannot and should not be used to bridge the base budget gap in the absence of longer term plans to make the necessary savings. Such an approach is a short term measure which would have the impact of increasing the level of the budget gap in the following year.

A summary of the detailed work completed as part of our response to the identified significant risk is set out below:

- Considered the extent to which savings identified for 2016/17 have been realised to date.
- Considered the progress made by the Council in identifying savings necessary to reduce the 2017/18 budget gap.
- Reviewed the appropriateness of the assumptions built into the 2016/17 budget and MTFS in more detail.
- Considered the impact on the Council's finances of any errors identified by our 2015/16 audit

4.2 Overall conclusion

Based on the work performed and key findings as set out above, we expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources. This is based on the Council's past record of financial management and delivering financial sustainability, the current level of reserves available and the plans to deliver a balanced position over the next three years

Appendix A – Detailed audit findings

Unadjusted misstatements

We have no unadjusted audit differences to report to you.

Corrected audit differences

There are no corrected audit differences to report to you. A number of minor presentational and disclosure changes have been made to the draft financial statements.

Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 23 February 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (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 confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

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 Audit Committee in September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 17 February 2016.

Appendix C – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

	Predecessor auditor fee	EY planned fee	EY forecast fee
Financial statements and VFM conclusion	75,570	56,678	56,678

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix D – Draft audit report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF EREWASH BOROUGH COUNCIL

Opinion on the Council’s financial statements

We have audited the financial statements of Erewash Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Collection Fund Collection Fund and the related notes.

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 2015/16.

This report is made solely to the members of Erewash Borough Council, 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 Council and the Council’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Director of Resources’ Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Erewash Borough Council as at 31 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Annual Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with 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.

Conclusion on Erewash Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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.

Auditor's responsibilities

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.

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 2015, as to whether the 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 Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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 Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Erewash Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Erewash Borough Council 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.

Stephen Clark (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Birmingham

Appendix E – Management representation letter

DATE

Ernst & Young
1 Colmore Square
Birmingham
B4 6HQ

This letter of representation is provided in connection with your audit of the financial statements of Erewash Borough Council (“the Council”) for the year ended 31/03/2016. 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 financial statements give a true and fair view of the Council financial position of Erewash Borough Council as of 31/03/2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, 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 2015/16.
2. We acknowledge, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. We believe that the Council has 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 2015/16, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We 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.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. 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 financial statements.
3. We have made available to you all minutes of the meetings of the Council, Executive and Audit committees held through the Financial Year to the most recent meeting on the following date: 01/09/2016.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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 period ended, as well as related balances due to or from such parties at the Financial Year end. These transactions have been appropriately accounted for and disclosed in the 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 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

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 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 in the Accounting Policies to the financial statements all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. 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

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we 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 we 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. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

Appendix F – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <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 ▶ Findings and issues regarding the opening balance on initial audits 	Audit Results Report
<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 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Erewash Borough Council's ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <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 	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the 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 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <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 	We have no matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <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 	We have received all requested confirmations.
<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 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 	We have not identified any material instances of non-compliance with laws and regulations.
<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 	Audit Plan and Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Annual Audit Letter/Audit Results Report
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work ▶ Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan and Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan <p>Breakdown of fee information at the completion of the audit</p>	<p>Audit Plan</p> <p>Audit Results Report</p> <p>Annual Audit Letter (if considered necessary)</p>
<p>Certification work</p> <p>Summary of certification work undertaken</p>	Certification Report

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