

Isle of Wight Council
Audit results report

Year ended 31 March 2018

18 July 2018

PAPER B



Building a better
working world



Private and Confidential

18 July 2018

Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Isle of Wight Council for 2017/18. We will issue our final report at the Audit Committee meeting scheduled for 30 July 2018.

We have substantially completed our audit of Isle of Wight Council (the Authority) for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

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

Yours faithfully

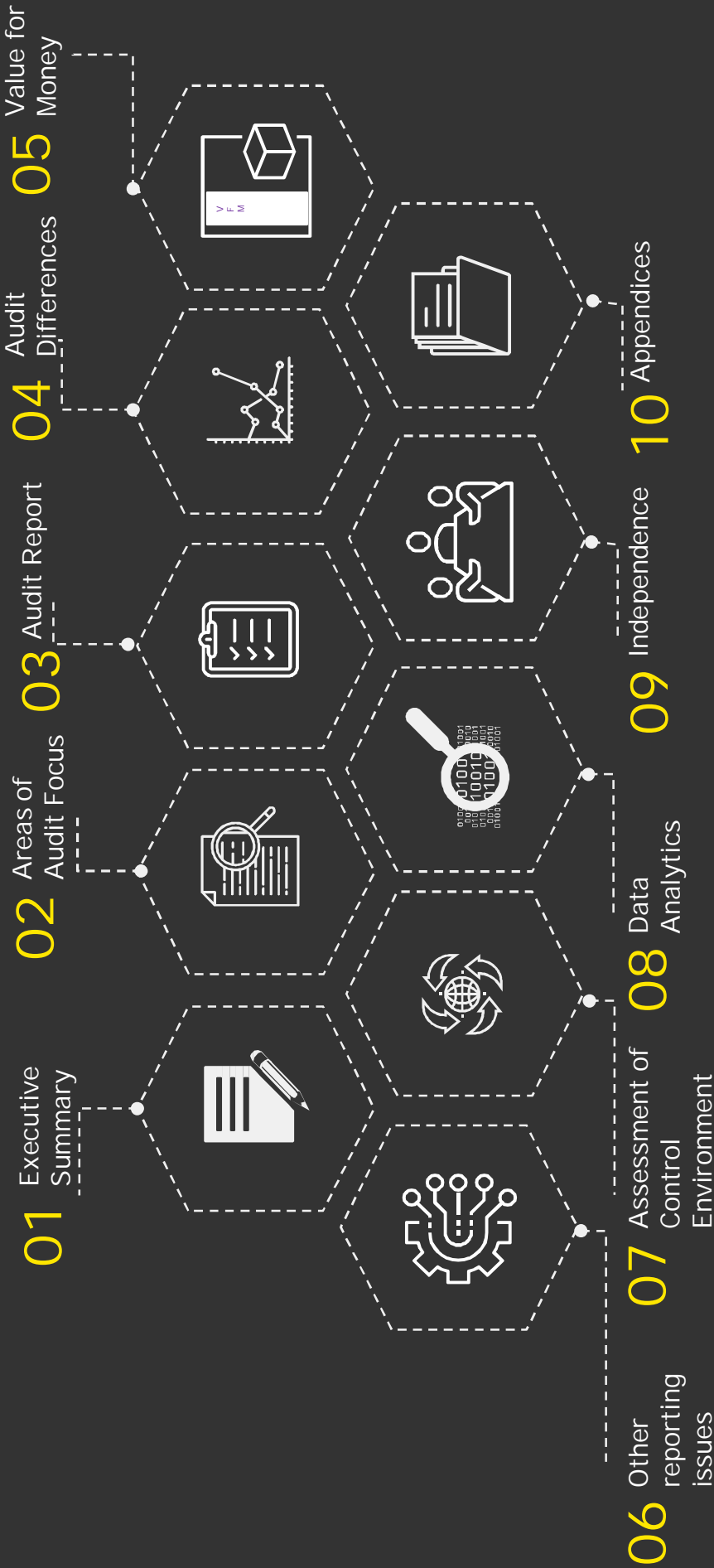
Helen Thompson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Isle of Wight Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Isle of Wight Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Isle of Wight Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our audit planning report presented at the 19 February 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following points to be noted:

- The Authority restated its Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis, and a number of its disclosure notes, as a result of a change in internal reporting structure in 2017/18. We were therefore required to review the restated prior year comparators shown in the 2017/18 financial statements.
- Changes in materiality - in our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £3.88m. The basis of our assessment has remained consistent with prior years at 1% of gross expenditure on provision of services. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £3.75m. This results in updated performance materiality at 75% of overall materiality of £2.81m, and an updated threshold for reporting misstatements of £0.187m. We set a materiality of nil for remuneration disclosures, related party transactions, members' allowances and exit packages, which reflects our understanding that an amount less than our materiality would influence the decisions of users of the financial statements in relation to these areas.
- We determined the business rates appeals provision to be higher inherent risk subsequent to issuing our Audit Plan – we have therefore set out the work undertaken on this balance in the Areas of Audit Focus section of this report.

Status of the audit

We have substantially completed our audit of Isle of Wight Council's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- completion of our work on debtors, creditors, and income
- completion of our audit conclusion procedures
- review of the final version of the financial statements
- completion of subsequent events review
- receipt of the signed management representation letter

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Audit differences

There are no unadjusted or adjusted audit differences arising from our audit. A very small number of presentational points only were identified.

Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Isle of Wight Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the Section 2 of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

Control observations

We have adopted a fully substantive approach, so we have not tested the operation of controls.

In our Audit Results Report in 2016/17, we noted that we had identified a small number of issues with regard to IT controls, although none of these was sufficiently significant to impact our audit opinion and all points raised had been responded to by management. We have followed up on these issues as part of our 2017/18 audit, and have noted that further action has been taken to address each of the issues identified. We are therefore satisfied that these have been, or are in the process of being, appropriately addressed.

Executive Summary

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risk:

Progress in achieving medium and longer term financial sustainability

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources. See Section 5 for details.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We have no other matters to report.

Independence

Please refer to Section 9 for our update on Independence.



02 Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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

What judgements are we focused on?

In addition to undertaking the procedures mandated by ISA240 (shown in the “What did we do?” section below), our work focussed on the following areas of potential management override:

Accounting policies – we reviewed accounting policies for compliance with the CIPFA Code of Practice, for appropriateness of tailoring, and for changes from the prior year. We were also mindful of possible non-compliance with accounting policies when undertaking our detailed testing of balances and transactions.

Accounting estimates – our work on estimates focussed on PPE valuation, IAS19 pension estimates, PFI valuation and the business rates appeals provision.

What did we do?

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

What are our conclusions?

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

We have not identified any inappropriate journals or adjustments.

We have not identified any instances of inappropriate judgements being applied in relation to accounting estimates, or other balances and transactions.

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

We did not identify any inappropriate tailoring of accounting policies, or inappropriate changes in policies from the prior year. Policies were found to be compliant with the CIPFA Code and no instances of non-compliance with the stated policies were identified through our wider audit work.



Areas of Audit Focus



Other areas of audit focus

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What did we do?

The procedures we undertook were to:

- Consider the work performed by the Authority's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property;
- Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; and
- Test to confirm that accounting entries have been correctly processed in the financial statements.

PFI accounting

The Authority has one PFI arrangement, which is material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert when the PFI was introduced. We will review the accounting entries and disclosures in relation to PFI in detail in 2017/18, with a focus on any significant changes since the expert's review.

What are our findings?

We undertook the programme of work set out in the previous column. We did not identify any material issues with regard to the valuation of land and buildings.

We undertook the programme of work set out in the previous column. We did not identify any material issues with regard to PFI accounting.

Areas of Audit Focus



Other areas of audit focus

What is the risk/area of focus?

Pension Asset/Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme, for which it is the administering authority. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Restatement of CIES and EFA

In 2016/17, CIPFA introduced changes to the Local Authority Accounting Code of Practice, under its "Telling the Story" agenda, which required the Authority to disclose its income and expenditure in accordance with the structure used for internal reporting, rather than the previous presentation as prescribed by SERCOP. The Authority has changed its internal reporting structure in 2017/18, which will mean the Comprehensive Income and Expenditure Statement and supporting Expenditure and Funding Analysis will need to be restated in line with the new structure.

What did we do?

The procedures we undertook were to:

- Liaise with the auditors of Isle of Wight Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Isle of Wight Council;
- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our findings?

We undertook the programme of work set out in the previous column. We did not identify any material issues with regard to the valuation of pension assets and liabilities.

The procedures we undertook were to:

- Agree the restated comparative figures back to the Authority's prior year financial statements and supporting working papers;
- Review the CIES, EFA and supporting notes to ensure disclosures are in line with the code; and
- Review the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Authority's organisational structure and how overheads are apportioned across the service areas reported.

We undertook the programme of work set out in the previous column. We did not identify any material issues with regard to the restatement of the CIES, EFA and related disclosure notes.

Areas of Audit Focus



Other areas of audit focus

What is the risk/area of focus?

Business rates appeals provision

The Authority is required to make a provision to cover the possibility of successful appeals by ratepayers against the rateable value of their business property, and the commensurate refund of business rates resulting from such appeals. The provision must take into account both appeals lodged to date but not yet decided, and potential appeals yet to be received. The underlying appeals process is subject to a number of factors and as such the estimation of the appeals provision involves significant judgment. This has been further increased by the recent introduction of the new ratings list from 01 April 2017 and changes to the method of making appeals.

We reconsidered the risk around the business rates appeals provision through the course of our audit, in light of the potential impact of the new 2017 ratings list. The inherent risk around this estimate was therefore raised from lower to higher after the initial planning stage of the audit.

What did we do?

The procedures we undertook were to:

- Understand the Authority's approach to calculating the provision;
- Consider the work performed by the Authority's external specialist in relation to appeals against ratings lists prior to 2017, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; and
- Consider the Authority's approach to establishing the provision against the 2017 list, whether this is appropriate to the Authority, and whether the resulting provision is materially accurate.

What are our findings?

We undertook the programme of work set out in the previous column. We did not identify any material issues with regard to the business rates appeals provision.

Areas of Audit Focus



Other matters

Assessment of new Accounting Standards

IFRS 9 Financial Instruments: The 2018/19 Code introduces IFRS 9 on financial instruments. Your view is that the impact on the Authority's financial statements will be immaterial. The Authority will need to keep this standard under continued focus during 2018/19 because statutory overrides may be introduced by Central Government

IFRS 15 Revenue from Contracts with Customers: Similarly the 2018/19 Code of Practice on Local Authority Accounting for the United Kingdom determines how IFRS 15 Revenue from Customers with Contracts will be adopted by local government bodies. In your view IFRS 15 will not have a material impact on this Authority's single entity financial statements as the vast majority of the Authority's income streams are taxation or grant based.



03 Audit Report



Audit Report

Draft audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLE OF WIGHT COUNCIL

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of Isle of Wight Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement; Movement in Reserves Statement; Balance Sheet; Cash Flow Statement; the Expenditure and Funding Analysis on page 6 and notes 1 to 51; the Collection Fund and the related notes 1 to 6; and the Firefighters Pension Fund financial statements comprising the Fund Account, Net Assets Statement and 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 2017/18.

In our opinion the financial statements: give a true and fair view of the financial position of Isle of Wight Council as at 31 March 2018 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the [authority/group] in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- the Director of Finance and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate;
- the Director of Finance and Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information referred to on page 4 of the Statement of Accounts. The Director of Finance and Section 151 Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

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

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.



Audit Report

Our opinion on the financial statements

We have nothing to report in these respects

Responsibility of the Director of Finance and Section 151 Officer

As explained more fully in the Statement of the Director of Finance and Section 151 Officer's Responsibilities set out on page 5, the Director of Finance and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance and Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Isle of Wight 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 Isle of Wight Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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



Audit Report

Our opinion on the financial statements

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.

Certificate

We certify that we have completed the audit of the accounts of Isle of Wight 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.

Use of our report

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

Helen Thompson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
xx July 2018

The maintenance and integrity of the Isle of Wight Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04 Audit Differences

Audit Differences

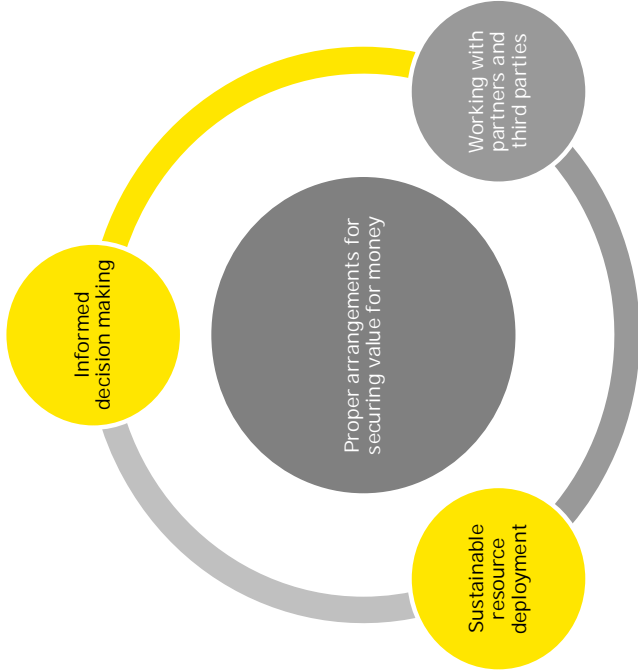
In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately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

Summary of adjusted and unadjusted differences

There are no adjusted or unadjusted differences arising as a result of our audit. The only issues identified were a small number of presentational matters, all of which have been corrected in the final version of the financial statements.



05 Value for Money Risks



Background

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

For 2017/18 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- § Take informed decisions;
- § Deploy resources in a sustainable manner; and
- § Work with partners and other third parties.

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

Overall conclusion

We identified one significant risk around these arrangements. The tables below present our findings in response to the risk in our Audit Planning Report. No further risks were identified during the course of our audit.

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



Value for Money

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public.”

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The section below presents the findings of our work in response to the risks area in our Audit Planning Report. No further risks were identified during the course of our audit.

What is the significant value for money risk?

Progress in achieving medium and longer term financial sustainability

The Authority continues to face very significant financial challenges as a result of ongoing reductions in funding from central government and increasing demand for high-cost services. It needs to save £7.5 million in 2018/19 in order to achieve a balanced budget, and in the medium term, the Authority needs to achieve total savings of £19 million in the period 2018/19 to 2020/21.

We noted in our value for money conclusion in 2016/17 that good progress had been made across a number of key areas linked to the Authority’s current medium term financial strategy, which is intended to address the financial challenges it faces. We also noted the positive outturn position achieved for 2016/17, which had allowed a strengthening of reserves, and that a balanced budget had been set for 2017/18.

However, our work in 2016/17 acknowledged that the financial pressures facing the Authority are ongoing, and that significant work remained to be done to bring some of the longer-term aspects of the medium term financial strategy to fruition. As such, we judge that the significant risk to the Authority’s ability to deploy resources sustainably remains present in 2017/18. Our value for money work will therefore focus on the further progress made this year in strengthening the Authority’s arrangements to ensure financial stability in the longer term.

What arrangements did the risk affect?

Deploying resources in a sustainable manner



Value for Money

Value for Money Risks

What are our findings?

The Authority has continued to make progress against its medium term financial strategy in 2017/18.

The outturn position for 2017/18 was positive, allowing reserves for future transformation and capital investment to be strengthened. There was a planned transfer from general reserves in 2017/18 as part of the Authority's medium term financial strategy, to enable savings requirements to be "smoothed" over the period covered by the strategy. The 2018/19 budget allows for the general fund balance to be returned to its pre-2017/18 levels.

The Authority achieved the large majority of savings against identified schemes in 2017/18, with any shortfalls mitigated by savings elsewhere such that no portfolio exceeded its overall budget. Actions have been taken to mitigate the recurrent effect of those identified savings schemes which were below target.

A balanced budget has been set for 2018/19 and the assumptions underpinning this and the accompanying refreshed 3-year forecast appear reasonable. All required savings for 2018/19 have been fully identified.

Good further progress has been made in 2017/18 against the key underlying elements of the Council's medium term financial strategy, including the 6 key "themes", and the establishment of a regeneration programme.

We continue to be mindful of the scale of the financial challenge faced by the Authority, and the savings to be achieved in the medium term remain significant. As such, we will continue to keep the Authority's ability to deploy resources in a sustainable manner under review going forward.



06 Other reporting issues

Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements.

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

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

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

Whole of Government Accounts

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

We have no issues to raise.

Other reporting issues

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

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

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report.



07 Assessment of Control Environment

Assessment of Control Environment



Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

In our Audit Results Report in 2016/17, we noted that we had identified a small number of issues with regard to IT controls, although none of these was sufficiently significant to impact our audit opinion, and all points raised had been responded to by management. We have followed up on these issues as part of our 2017/18 audit, and have noted that further action has been taken to address each of the issues identified. We are therefore satisfied that these have been, or are in the process of being, appropriately addressed.



08 Data Analytics



Use of Data Analytics in the Audit

▶ Data analytics – testing of General Ledger Journals, and Employee Costs

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the authority's audit included testing journal entries and employee costs, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes securely. These processes are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2017/18. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples. We have anonymised the information below; the detail has been shared with officers.

EY Helix - GLASS: Journal Entry Data Insights - Isle of Wight Council - 31/03/2018

Facts and Figures

Number of Journals Posted:
531,046

Average Number of Journals Posted per Day:
1,379

Average Number of Lines per Journal:
3

Operational Efficiencies

Manual Journals Posted at weekend:
11

Manual journals where gross amount is < £5:
378

Journal lines with zero value:
0

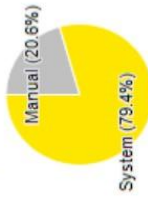
Manual v System by Volume



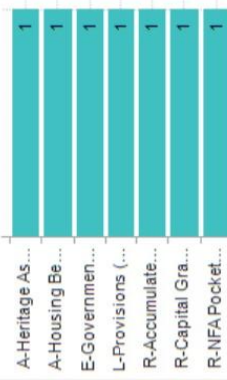
Top Five Activity Accounts



Manual v System by Value



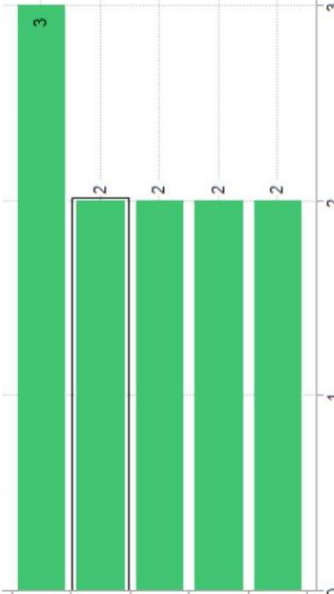
Bottom Five Activity Accounts



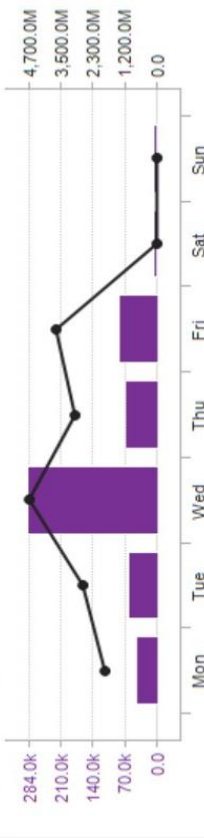
Top Five Preparers



Bottom Five Preparers



Days of the Week



Online

1,385,776 of 1,385,776 rows 0 marked 46 columns Journals

Journal Entry Testing

What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Journal entry data criteria – LG – 31 March 2018

The screenshot displays the EY Helix - GLASS: Criteria interface. At the top, it shows 'Manual v System' with a pie chart indicating Manual (1.4%) and System (98.6%). Below this, the 'Account Type' section includes Assets, Equity, Liabilities, BS, Expenses, Revenue, and P&L. The 'Account Class / GL Account' section shows a list of accounts with a bar chart of their values. The 'Journal Counter' at the top right indicates 'Values by Journal Count' of 531,046. The 'Timeline' section shows a bar chart of 'Entry Date' by 'Day of Week'. The 'Posting Pattern' section shows a line graph of 'Value' over time. The 'User' section shows a list of users with their 'PreparedID' and 'Value'. The 'Business Unit' section shows a search box for 'Type to search in list' with '(All) 0 values (Empty)'. The 'Account Pairing Selector', 'Numerical Fillers', 'Key Word Search', and 'Selector of Randomised Journals' sections are also visible.

What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

What are our conclusions?

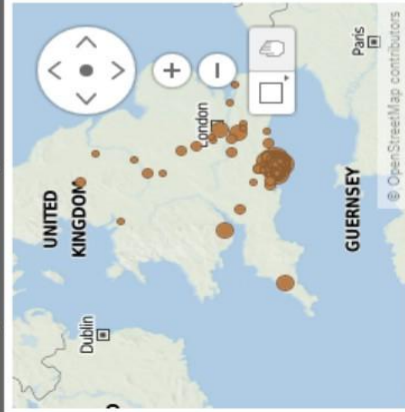
We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.

Payroll Analyser Insights

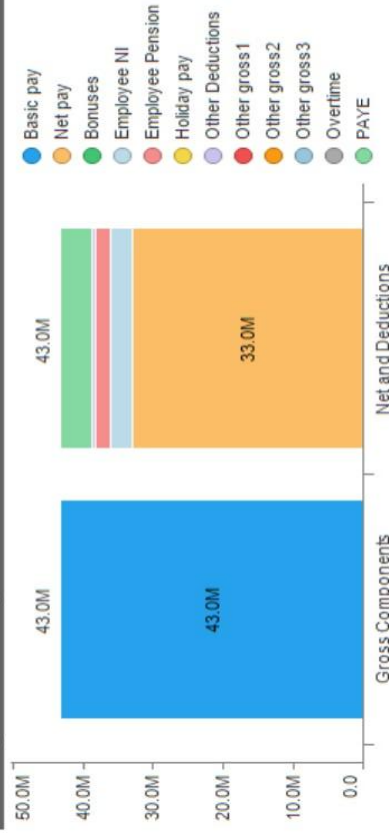
The graphic outlined below summarises the Council's payroll data for 2017/18. We review transactions for payroll at a more granular level, which allows us to identify items with a higher likelihood of containing material misstatements or to identify unusual patterns within a population of data and to design tests of details. This allows us to provide a more effective and risk focused audit on payroll, improving efficiency for both audit and the management as we reduce the need for evidence support for larger random samples.

EY Helix - Payroll Analyser: 1. Payroll Overview

1.0 Pay Distribution by Location



1.1 Payroll Summary



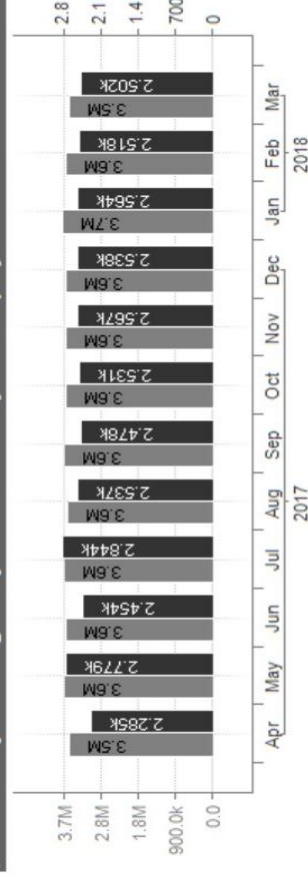
1.2 Transaction Summary

Column	Value	% of Gross
Basic Pay	43.0M	100.0%
Overtime	(Empty)	(Empty)
Holiday pay	(Empty)	(Empty)
Bonuses	(Empty)	(Empty)
Other gross1	(Empty)	(Empty)
Other gross2	(Empty)	(Empty)
Other gross3	(Empty)	(Empty)
Gross Pay	43.0M	100.0%
Net Pay	33.0M	76.8%
PAYE	4.2M	9.7%
Employee NI	3.0M	7.0%
Employer NI	3.7M	8.5%

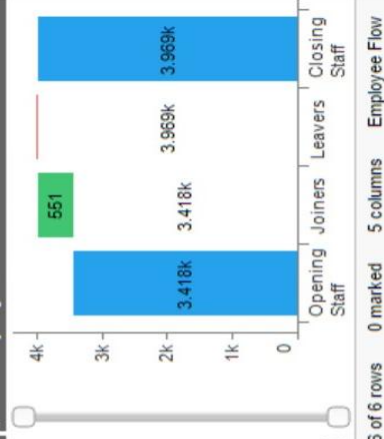
1.3 Data Insights

	Gross	#/%
Staff Turnover	(Empty)	0.00%
Employees not in Master File	0.0	1137
Employees after Leave Date	5.4k	19
Payments before Join Date	(Empty)	0
Largest Gross Payment	60.9k	
Average Gross Payment	1.4k	
Smallest Gross Payment	-1.9k	
Employee(s) under minimum wage		0
Highest Paid Employee - Median Employee		11.53

1.4 Monthly Trending Analysis of Gross Pay and Employee Count



1.5 Employee Movement



Online

6 of 6 rows 0 marked 5 columns



Independence

09

Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated January 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 30 July 2018.

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

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in the below table has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018. We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee – Code work	TBC*	128,054	128,054	128,054
Certification of housing benefit subsidy claim	TBC**	14,711	14,711	17,078

* We have proposed a scale fee variation of £935, in relation to work done in 2017/18 to review the restatement of the CIES, EFA and associated disclosure notes, arising from changes to the Authority's internal reporting structure. This work is outside the scope covered by the 2017/18 scale fee. An equivalent fee has not been charged in previous years. The proposed fee variation remains subject to agreement with management and Public Sector Audit Appointments Ltd.

** Our work on the Council's 2017/18 housing benefit subsidy claim is ongoing. Our final fee will be confirmed following the completion of our work. The deadline for certification of the claim is 30 November 2018.



10 Appendices

Appendix A

Required communications with the Audit Committee

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

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report, January 2018
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report, January 2018
Significant findings from the audit	<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 	Audit results report, July 2018

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	<p>No conditions or events were identified, either individually or together to raise any doubt about Isle of Wight Council's ability to continue for the 12 months from the date of our report</p>
Misstatements	<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 • Material misstatements corrected by management 	<p>Audit results report, July 2018</p>
Subsequent events	<ul style="list-style-type: none"> • Enquiry of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	<p>We have enquired of management and those charged with governance. We have no matters to report</p>
Fraud	<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 Authority • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit Committee responsibility. 	<p>Audit results report, July 2018</p>

Appendix A

		Our Reporting to you	
Required communications	What is reported?	When and where	
Related parties	<p>Significant matters arising during the audit in connection with the Authority'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 Authority 	Audit results report, July 2018	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit planning report, January 2018 and Audit results report, July 2018	
External confirmations	<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
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 		We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Audit results report, July 2018
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report, July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report, July 2018
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit results report, July 2018
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report, January 2018 and Audit results report, July 2018
Certification work	<ul style="list-style-type: none"> Summary of certification work 	Certification Report, expected to be issued September/October 2018

Management representation letter

Management Rep Letter

Helen Thompson
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Isle of Wight Council (“the Council”) for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Isle of Wight Council as of 31 March 2018 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 2017/18.

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 2017/18.
2. We acknowledge, as members of management of the Council, 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, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. 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. As members of management of the Council, 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 2017/18, that are free from material misstatement, whether due to fraud or error.

Management representation letter

Management Rep Letter

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
- B. Non-compliance with law and regulations, including fraud
 1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
 2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
 3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.
- C. Information Provided and Completeness of Information and Transactions
 1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 3. We have made available to you all minutes of the meetings of the Council and Cabinet (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:
 - Full Council: 18 July 2018
 - Cabinet: 12 July 2018

Management representation letter

Management Rep Letter

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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 [period] 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.
- D. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the 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 financial statements all guarantees that we have given to third parties.
- E. Subsequent Events
1. Other than as described in Note 6 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.
- F. Other information
1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and Annual Governance Statement.
 2. We confirm that the content contained within the other information is consistent with the financial statements.

Management representation letter

Management Rep Letter

G. Comparative information – corresponding financial information

1. There have been changes to the internal reporting structure of the Council in 2017/18. These have led to reclassification restatements impacting the Comprehensive Income and Expenditure Statement, the Expenditure and Funding Analysis, and notes 7, 13 and 39. The prior year comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, the IAS19 pension fund liability, and the business rates appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates - Valuation of property, plant and equipment, IAS19 pension liability, and business rates appeals provision.

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We confirm that the significant assumptions used in making the valuation of property, plant and equipment, IAS19 pension liability, and business rates appeals provision estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

J. 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.

Management representation letter

Management Rep Letter

Yours faithfully,

Chris Ward
(Director of Finance and Section 151 Officer)

I confirm that this letter has been discussed and agreed at the Audit Committee on 30 July 2018

Councillor Adrian Axford
(Chairman of the Audit Committee)

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ED None

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