

Central Bedfordshire Council

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

19 September 2016

Ernst & Young LLP



Building a better
working world

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Contents

1. Executive summary	0
2. Responsibilities and purpose of our work.....	3
3. Financial statements audit	4
4. Value for money	7
Appendix A - Uncorrected audit differences.....	10
Appendix B – Independence.....	11
Appendix C – Auditor fees	12
Appendix D – Management representation letter	13
Appendix E – Required communications with the audit committee	16

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.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Central Bedfordshire Council for the year ended 2015/16.</p> <p>The following areas of our work programme remain to be completed as of the date of this report:</p> <ul style="list-style-type: none"> · Completion of a number of substantive tests in the areas of: <ul style="list-style-type: none"> ○ Journals ○ Leases · Completion of closing procedures · Completion of manager and director review procedures · Review of the final version of the financial statements · Receipt of the signed management representation letter <p>We have performed the procedures outlined in our Audit Plan and anticipate, subject to the satisfactory clearance of the above areas, issuing an unqualified opinion on the Authority'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 have yet to perform the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts (WGA) submission, as the deadline for completion is the 21 October 2016.</p> <p>We will issue the audit certificate following the completion of the WGA procedures.</p>
Audit differences	<p>We have identified the following audit difference that management has decided not to adjust:</p> <ul style="list-style-type: none"> - The PFI liability is understated by approximately £2million. The impact is to increase long term liabilities with a corresponding reduction in unusable reserves as the Council sets aside the financing for this liability. <p>Our audit has also identified a small number of audit differences which our team have highlighted to management for amendment. These primarily relate to disclosure and presentational matters and have been corrected during the course of our work. We do not consider these to be significant and therefore do not merit reporting to you.</p> <p>We will update our summary of audit differences as our work is concluded.</p>
Scope and materiality	<p>In our audit plan presented at the 4 April 2016 Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £9.7 million. Since we communicated our planning level of</p>

<p>Scope and materiality (continued)</p>	<p>materiality in our Audit Planning Report, we have revisited the calculation. We did not at the planning stage include items of expenditure we could below net cost of services. Having now done so, the level of gross revenue expenditure we can use to calculate our performance materiality has increased by £23m. As a result our performance materiality has increased from £9.7 million to £11.1 million.</p> <p>The threshold for reporting audit differences which impact the financial statements has also increased from £0.489 million to £0.558 million. The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:</p> <ul style="list-style-type: none"> · Remuneration disclosures including any exit packages and termination benefits: Reduced materiality level of £50,000 is applied to our testing of disclosures for completeness and accuracy; and · Related party transactions: Reduced materiality level is applied to testing of disclosures for completeness and accuracy. We also carry out Companies House searches to identify whether any key decision-makers in the Council had undisclosed interests. <p>We carried out our work in accordance with our Audit Plan.</p>
<p>Significant audit risks</p>	<p>We identified the following 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"> · Valuation of Property, Plant and Equipment; · Private Finance Initiative liability; · Better Care Fund accounting; · Risk of Fraud in Revenue Recognition; and · Risk of management override. <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.</p>
<p>Other reporting issues</p>	<p>We refer at page 7 below to two matters we wish to draw to your attention:</p> <ul style="list-style-type: none"> · Our work related to the procurement of legal services; and · The need to strengthen the Narrative Statement in 2016/17 <p>We have no other matters we wish to report.</p>
<p>Control observations</p>	<p>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.</p> <p>We have adopted a fully substantive approach and have therefore not tested the operation of controls.</p>
<p>Objections</p>	<p>We have received no objections to the 2015/16 accounts from members of the public.</p>

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

Neil Harris
Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

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.

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

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 Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Property, plant and equipment Valuation</p> <p>Property, Plant and Equipment (PPE) represent the largest asset values on the Council's balance sheet.</p> <p>Land and buildings are initially measured at cost and then revalued to fair value. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period.</p> <p>Revaluations are carried out by the Council's in-house valuers. Council dwellings are valued by an external expert valuer. Valuations are based on a number of complex assumptions.</p> <p>Annually assets are assessed to identify whether there is any indication of impairment.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of external experts and assumptions underlying fair value estimates.</p>	<ul style="list-style-type: none"> · Obtained an understanding of the key controls over the valuation of PPE. We have not sought to rely on controls and have therefore not evaluated the effectiveness of these; · Agreed the source data used by your valuer to supporting records; · Assessed the work of your valuer including procedures to rely on management's valuation experts; · Agreed the outputs to your fixed asset register and statements; and · Tested the accounting treatment of valuations made in the year, including the assessment and treatment of impairments. 	<ul style="list-style-type: none"> · We have gained sufficient assurance over the PPE valuation. · We have no matters to report based on our audit procedures.

<p>Risk of management override</p> <p>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.</p>	<ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Reviewed accounting estimates for evidence of management bias; and • We did not identify any significant unusual transactions. 	<ul style="list-style-type: none"> • Our audit work on journals has not yet been completed. To date we have not identified any evidence of management bias or significant unusual transactions. • We did not identify any matters that we need to bring to your attention.
<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.</p>	<ul style="list-style-type: none"> • Reviewed and tested revenue and expenditure recognition policies; • Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; • Developed a testing strategy to test material revenue and expenditure streams ; • Reviewed and tested revenue cut-off at the period end date; and • Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised. 	<ul style="list-style-type: none"> • We have undertaken our review of accounting policies and discussed with management accounting estimates. We undertook substantive testing on income and expenditure streams testing the rationale of the transaction along with the value and did not identify any issues. • We have completed cut off testing on income and expenditure and have nothing to report in regards to income or expenditure being recorded in the incorrect period. • Our testing on the capitalisation of expenditure has not identified any issues.

Better Care Fund

The Better Care Fund (BCF) is a major policy initiative between local authorities, CCGs and NHS providers with a primary aim of driving closer integration and improving outcomes for patients, service users and carers. The intention is that partners use the BCF to jointly commission health and social care services at a local level

From 1 April 2015 BCF has been set up as a pooled budget between the Council and the local Clinical Commissioning Group (CCG). The pool has total funding of £18 million in 2015/16.

Local BCF arrangements may be complex and varied, involving a number of different commissioning, governance and accounting arrangements that raise risks of misunderstanding and inconsistencies between the partners. There are also structural, cultural and regulatory differences between local government and the NHS, and it is important that these are understood and considered by all of the partners in the operation of the BCF.

- Examined relevant S75 agreements entered into by the Council
- Reviewed proposed accounting treatments for the Better Care Fund and the disclosures made under relevant accounting standards.
- Considered what relevant activities are to be undertaken and whether participants have control, either jointly or solely, over the arrangement.
- Performed testing to gain assurance that the Council has appropriately accounted for its share of the BCF.

- We are concluding our work in this area. We are aware of inconsistencies between Bedford CCG and the Council in their BCF disclosures that we are following up. These amounts are not material to our opinion on the Council's financial statements.
- We will provide a verbal update at the Audit Committee.

PFI liability

The Council recognises on its Balance Sheet a PFI liability for the provision of new buildings, the refurbishment of existing building and associated facilities management at two schools which have both since converted to Academy status. This represents a large element of the balance sheet and is a significant balance at £16m.

The PFI liability is recognised at the same time as the PFI assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

The accounting entries are based on a complex range of assumptions via a PFI accounting model.

- Obtained an understanding of key controls over the valuation of the PFI liability. We have not sought to rely on controls and have therefore not evaluated the effectiveness of these;
- Ensured PFI model has been brought forward correctly from the previous year;
- Engaged relevant experts to review the model against an EY model to ensure the client model is still working as expected;
- Ensured the PFI accounting model has been updated for any service or other agreed variations; and
- Agreed outputs of the model to the accounts, including balances and disclosures for Assets, Liabilities, and Expenditure.

- We have gained sufficient assurance over the PFI liability and disclosures.
- We have identified a non-material misstatement within the PFI model as reported at Appendix A.

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 your 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 undertook some work following receipt of a public interest disclosure from a whistleblower concerning the approach the Council has taken to the procurement of its legal services. We reported our findings and recommendations to the Audit Committee on 27 June 2016. We have no further matters to report in this area.

The Council was required to prepare a Narrative Statement in 2015/16. The requirements for this Statement are set in an update to the 2015/16 Code of Practice on Local Authority Accounting. The purpose of the foreword Narrative Report is to provide an accessible guide to the most significant matters reported in the accounts. The Narrative Report should be fair, balanced and understandable for the users of the financial statements. The guidance sets out further detailed disclosure requirements. There are opportunities for the Council to enhance its Narrative Statement to more clearly comply with the requirement as set out in the Code Update. In the preparation of the 2016/17 financial statements, the Council should review the requirements for the Narrative Statement and ensure it fully meets the disclosure requirements.

We have no other matters we wish to report.

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.

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.

Request for written representations

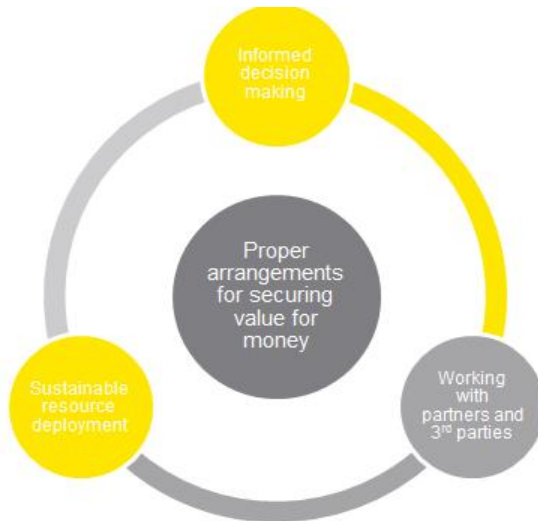
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix D. We have requested only standard representations.

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.

We are currently concluding our work in this area as the deadline for submission is the 21 October 2016 and 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.

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.

Overall conclusion

We identified one significant risk in relation to these arrangements:

- Deploying resources in a sustainable manner.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Significant risks

The table below presents the findings of our work in response to the risk areas in our audit plan.

VFM risk identified within our audit plan	Impacts arrangements for:	Key findings
<p>Councils are funded by grants from central government and locally raised revenue from council tax and business rates or from fees, charges, or other revenue generating activities. Since 2010-11 funding for Councils from central government has reduced by 37 per cent in real terms, and further reductions for the period 2016-17 to 2019-20 are likely.</p> <p>Central Bedfordshire Council has identified it requires efficiency savings of £15.3million in 2016/17 and £30million over the following three years to 2019/20. Per the medium term financial plan taken to the Executive on 9 February 2016, the Council has already identified many of schemes to deliver these efficiencies – all of those to meet the £15.3million 2016/17 requirement and £18.8million of the £30million required for the subsequent three years.</p>	<ul style="list-style-type: none"> Deploying resources in a sustainable manner 	<p>Our approach focused on:</p> <ul style="list-style-type: none"> Financial reporting including achievement of financial targets. Delivery of the Council's 2015/16 savings plans and linkages to delivery of longer-term transformational change; The Council's 2016/17 financial plan; and The Council's longer-term financial strategy in the light of the local and wider financial pressures in the local economy. <p>There are no issues to report to the Committee based on our findings to date.</p>
<p>In January 2016, the National Audit Office passed on to us a public interest disclosure from a whistleblower concerning the approach the Council has taken during the 2015-2016 financial year to the procurement of its legal services. Several concerns were raised from the whistleblower which we have drawn to the attention of the Council's Chief Executive and Chair of Audit Committee. We received written responses and supporting documentation from the Council's Chief Executive to each of the concerns raised by the whistleblower.</p>	<ul style="list-style-type: none"> Taking informed decisions 	<ul style="list-style-type: none"> We reported our findings and recommendations to the Audit Committee on 27 June 2016. There are no further matters arising and our findings and conclusions in this area do not impact on our Value for Money conclusion.

Appendix A – Uncorrected audit differences

The following differences, which are greater than £0.558 million, have been identified during the course of our audit and have not been considered material by management or by us for adjustments. We are bringing them to the Committee's attention to enable you to form your own view on these items.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £m	Movement in Reserves (Decrease) / Increase £m
Liabilities - a review of the PFI model has indicated that the PFI liability is understated. The adjustments to correct this would be:		
PFI – decrease short term liabilities	(0.1)	
PFI – increase long term liabilities	2.0	
Statutory provision for the financing of capital investment		1.9
Statutory provision for the financing of capital investment		(1.9)
Unusable Reserves – capital adjustment account	(1.9)	
Cumulative effect of unadjusted differences	0	0

Appendix B – Independence

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

Appendix C – Auditor fees

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

Description	Proposed final Fee 2015/16 £'s	Scale Fee 2015/16 £'s	Variation comments
Total Audit Fee – Code work	148,009	139,466	The proposed final fee includes the fee of £8,543 agreed for our work to address the concerns raised in relation to the procurement of legal services as identified in Section 4 above. This fee has been agreed with PSAA.
Certification of claims and returns	26,910	26,910	We have not yet completed our work on the Housing Benefit subsidy claim and will therefore update the Audit Committee on any proposed scale fee variations on conclusion of the work.

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

Appendix D – Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Mr Neil Harris
Executive Director

Ernst & Young
400 Capability Green

Luton
LU1 3LU

This representation letter is provided in connection with your audit of the financial statements of Central Bedfordshire Council (“the Council”) for the year ended 31 March 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 financial position of Central Bedfordshire Council as of 31 March 2016 and of its expenditure and income for the year then ended in accordance with the 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 (England) 2011 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. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, Appendix A, accumulated by you during the current audit and

pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement]

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 known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

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 as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
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 committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 26 September 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 year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. 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 note 48 to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than the impact of the EU Referendum 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.

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,

Director of Finance

I confirm that this letter has been discussed and agreed at the Audit Committee on 26 September 2016

Chair of Audit Committee

Appendix E – 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 	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 Central Bedfordshire 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 	Audit Results Report
<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 	<p>We have not received all requested confirmations. We have undertaken other procedures to obtain relevant audit evidence.</p>
<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 	<p>We have not identified any material instances of non-compliance with laws and regulations.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan and Audit Results Report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Annual Audit Letter/Audit Results Report</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan Audit Results Report Annual Audit Letter if considered necessary</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Certification Report</p>

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