

## **AUDIT AND ACCOUNTS COMMITTEE**

**25 JULY 2018**

### **EXTERNAL AUDITORS' ANNUAL GOVERNANCE REPORT**

#### **1.0 Purpose of Report**

1.1 To present the External Auditors Annual Governance Report, this is attached at Appendix A (to follow).

#### **2.0 Background Information**

2.1 The external auditor issues an Annual Governance Report in compliance with the International Standards on Auditing. The significant findings from the audit are reported in the Annual Governance Report, together with the action taken in respect of these findings. The report also gives the auditor's opinion on the Statement of Accounts and the Value for Money conclusion.

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

3.1 The Council's Statement of Accounts for 2017/18 is considered elsewhere on this agenda. At the time of writing this report, the external audit of the accounts is substantially complete.

3.2 The report confirms that the external auditor has issued an unqualified opinion of the 2017/18 Statement of Accounts.

3.3 The report asks the Committee to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements included in the report;
- approve the letter of representation on behalf of the Council (Appendix B).

#### **4.0 Value for Money**

4.1 The Annual Governance Report includes the external auditor's conclusion on whether the Council has satisfactory corporate arrangements in place for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion. The auditor considers whether the Council has proper arrangements for

- Securing financial resilience
- Challenging how it secures economy, efficiency and effectiveness

4.2 For each theme, the external auditor is satisfied that the Value for Money criterion has been met.

#### **5.0 RECOMMENDATIONS that:-**

- (a) **the Committee receives the External Auditors Annual Governance Report for 2017/18;**

- (b) the Committee notes the adjustments to the financial statements set out in the report; and**
- (c) the letter of representation signed by the Director of Resources – S151 Officer and the chair of the committee, be approved.**

Background Papers

Nil.

For further information please contact Nick Wilson, Business Manager Financial Services on extension 5317.

Nick Wilson  
Business Manager Financial Services

**LETTER OF REPRESENTATION**

Dear Mr Gorrie

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council (“the Authority”), for the year ended 31 March 2018, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority’s and of the Authority’s and the Group’s expenditure and income for the year then ended;
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

**Financial statements**

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority’s and the Group’s expenditure and income for the year then ended;
  - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

### **Information provided**

5. The Authority has provided you with:
- access to all information of which it is 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 the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
- i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority is not aware of any:
- a) Fraud or suspected fraud that affects the Authority and the Group and involves:
- management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- and
- b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority is not aware of any instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and*

*Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arising in the UK;
  - funded or unfunded; and
  - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Accounts Committee on 25<sup>th</sup> July 2018.

Yours sincerely,

Sanjiv Kohli, CPFA  
Directors of Resources, S151 Officer

Councillor Sylvia Michael  
Chair - Audit and Accounts Committee