

# Governance Committee

Monday, 24th July, 2017  
at 5.00 pm

This meeting is open to the public

## Members

## Contacts

Democratic Support Officer

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## MEMBERS' ROOM DOCUMENT

Agendas and papers are now available via the City Council's website

### 11 **EXTERNAL AUDIT LETTER OF REPRESENTATION** (Pages 1 - 6)

To consider the report of the External Auditor, Ernst Young seeking approval of the Letter of Representation, attached.

Friday, 14 July 2017

SERVICE DIRECTOR, LEGAL AND  
GOVERNANCE

## Letter of representations

[To be prepared on the entity's letterhead]

24<sup>th</sup> July 2017

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 Southampton City Council ("the Council") for the year ended 31<sup>st</sup> March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Southampton City Council as of 31<sup>st</sup> March 2017 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 2016/17.
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 2016/17. 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

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Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.

5. There is one unadjusted audit difference the effects of which, summarised in the Audit Results Report (Section 4) and the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented is immaterial to the financial statements taken as a whole. We have not corrected this difference identified by and brought to the attention from the auditor because:
  - The issue has been corrected in the year that it has been identified i.e. 2016/17;
  - There is no overall material variance and no net impact on the General Fund or HRA reported position; and
  - The resources in terms of time and effort in calculating the actual re statement figures would outweigh the benefit to the general public in having a restated set of accounts and the use of the accounts; and
  - The reported estimated misstatement is likely to be the maximum level of the misstatement as a number of the assets will have been revalued during the time period in question.

### **B. Fraud**

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

### **C. Compliance with Laws and Regulations**

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

### **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:

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- 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 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.
  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.

### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.
4. No material claims in connection with litigation have been or are expected to be received.

### **F. Subsequent Events**

1. Other than those described in Note 7 to the financial statements, there have been no events subsequent to period end which require adjustment of or

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disclosure in the financial statements or notes thereto.

## **G. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

## **H. Comparative information – corresponding financial information**

1. Comparative amounts have been restated as a result of CIPFA's 'Telling the Story' review to improving the presentation of local authority financial statements.

The comparative amounts have been correctly restated to reflect the above matter and appropriate disclosure of this restatement has also been included in the current year's financial statements.

## **I. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate valuation of property, plant and equipment, and the pension fund liability 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.

## **J. Estimates**

1. We believe that the measurement processes, including related assumptions and models, used to determine accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making accounting 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 estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

## **K. 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

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retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

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Service Director of Finance and Commercialisation

I confirm that this letter has been discussed and agreed at the Governance Committee on 24 July 2017.

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(Chairman of the Governance Committee)

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