

Agenda Item No 7

Executive Board

11 September 2012

**Report of the
Deputy Chief Executive**

External Auditors' Report

1 Summary

- 1.1 The main purpose of this report is to inform Members of the External Auditors' report to those charged with governance.

Recommendation to Council

That the contents of the External Auditors' report be noted.

2 Report on the Financial Statements

- 2.1 The Council's appointed auditors, PricewaterhouseCoopers LLP, have completed their audit of the 2011/12 financial statements. A report on work undertaken by the auditors is attached as Appendix A.

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3 Report Implications

3.1 Finance and Value for Money Implications

- 3.1.1 These are covered in the Auditors' report.

The Contact Officer for this report is Sue Garner (719374).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

Government and Public Sector

***North Warwickshire
Borough Council***

Report to those charged with
governance (ISA 260 (UK&I))

2011/12 Audit

September 2012



The Members
North Warwickshire Borough Council
Council Offices
South Street
Atherstone
Warwickshire
CV9 1DE

29 August 2012

Ladies and Gentlemen,

We are pleased to enclose our report to the Executive Board in respect of our audit of North Warwickshire Borough Council (“the Authority”) for the year ended 31 March 2012, the primary purpose of which is to communicate the significant findings arising from our audit.

The scope and proposed focus of our audit work was summarised in our Audit Plan, which we presented to Executive Board in February 2012. We have subsequently reviewed our Audit Plan and concluded that our original risk assessment remains appropriate.

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the financial statements following your approval of the accounts on 11 September 2012 and subject to the satisfactory resolution of the following outstanding matters:

We look forward to discussing our report with you on 11 September 2012.

- our review of the final version of the financial statements with all of the agreed changes having been made;
- review of the Authority’s Annual Governance Statement;
- approval of the financial statements by the Executive Board;
- receipt of all relevant signed statements and the management representation letter; and
- examination of the Authority’s papers for submission as part of the Whole of Government Accounts exercise.

We will provide an update to members on the status of these outstanding matters at the meeting of the Executive Board on 11 September 2012.

Yours faithfully

PricewaterhouseCoopers LLP

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Contents

<i>Executive summary</i>	2
<i>Audit approach</i>	4
<i>Significant audit and accounting matters</i>	7
<i>Value for money conclusion</i>	11
<i>Risk of fraud</i>	13
<i>Fees update</i>	14
Fees update for 2011/12	14
<i>Appendices</i>	15
Letter of representation	16

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Executive summary

The purpose of this report

Under the Auditing Practices Board's International Auditing Standard (UK and Ireland) 260 (ISA (UK&I) 260) - "Communication of audit matters with those charged with governance" we are required to report to those charged with governance on the significant findings from our audit before giving our audit opinion on the accounts of North Warwickshire Borough Council ("the Authority"). As agreed with you, we consider that "those charged with governance", at the Authority, are Executive Board.

This letter contains the significant matters we wish to report to you arising from all aspects of our audit programme of work in accordance with ISA (UK&I) 260.

Our audit work during the year was performed in accordance with the Plan that we presented to you in February 2012. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

The scorecard below summarises our overall view of your accounts and audit performance.

Key



Red – significant improvements required



Amber – some improvements required



Green – no or some minor improvements required

Comments

Quality of accounts and working papers.
Readiness for start of audit and availability and responsiveness of staff.



The Authority prepared its accounts on a timely basis with a first draft of the accounts available at the start of the audit. Working papers were available for audit on time and key staff were available so that we could make a prompt and efficient start to our work on the first day we arrived. Working papers were of a good standard.

Our audit identified no significant issues with respect to the quality of the draft accounts presented for audit, though some minor adjustments to the accounts were requested and agreed.

A number of disclosure amendments were also identified which have been amended appropriately.

We anticipate issuing an unqualified audit opinion once the Executive Board have approved the financial statements.

Significant audit and accounting issues.



Our audit identified no significant issues. The net impact of the adjustments made to the accounts has been to increase net assets by £640,000.

Deficiencies in internal control systems.



We are pleased to note that we did not identify any material weaknesses in the accounting and internal control systems during our audit. A small number of minor control weaknesses were noted and these will be reported separately to the Deputy Chief Executive.

Use of Resources/Value for Money conclusion.



We anticipate issuing an unqualified value for money conclusion. We report in more detail a summary of our work and findings in this area in the Value for Money section.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of their standing guidance.

We would also like to take this opportunity to express our thanks for the co-operation and assistance we have received from the management and staff of the Authority throughout our work.

Audit approach

Risk Assessment

We reported our planned audit approach to you in February 2012. Our Audit Plan included the risks to be addressed as part of the audit and the work we planned to do in response.

We separately identified the risks for our audit of the financial statements and our use of resources (value for money) conclusion. Risks are categorised as follows:

-
- **Significant**

Financial statements: Risk of material misstatement due to the likelihood, nature and magnitude of the balance or transaction. These require specific focus in the year.

Use of resources (value for money): Risk of impacting adversely on the use of resources (value for money) conclusion.

 - **Other**

Financial statements: Although not considered significant, the nature of the balance/area requires specific consideration.

Use of resources (value for money): Relevant to our use of resources (value for money) conclusion and therefore requires specific attention.

We have summarised our actual responses to the risks included in our Audit Plan in the table below:

Financial Statements

Risk	Categorisation	Audit approach
<p>Fraud and management override of controls</p> <p>ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.</p>	<p>● Significant</p>	<p>We have updated our understanding of the Authority's controls around journals and gained some assurance on the Authority's arrangements for dealing with staff leavers, in particular controls over physical security and access to systems. Our final accounts procedures included testing of:</p> <ul style="list-style-type: none"> • the appropriateness of journals processed during the year; • Internal Audit's work surrounding management's ability to override journals; • key year-end control account reconciliations, including the bank reconciliation; • transactions recorded after the year-end; • significant accounting estimates; and • performance of unpredictable audit procedures. <p>No significant concerns were identified as a result of this work.</p>

<p>Recognition of revenue and expenditure</p> <p>Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in local government. This is because the opportunities to perpetrate fraud, which the ISA considers are usually present in relation to revenue, are more likely to present themselves through manipulation of expenditure in the public sector. Accounting policies or the treatment of income and expenditure may lead to material misstatements in the reported revenue position.</p>	<p style="text-align: center;">● Significant</p>	<p>We have updated our understanding of relevant revenue and expenditure controls and tested these controls to confirm they are operating effectively. Our final accounts procedures included testing of:</p> <ul style="list-style-type: none"> • the appropriateness of journals processed during the year; • Internal Audit’s work on key income and expenditure controls; • evaluation of accounting policies for income and expenditure recognition to ensure these are consistent with the requirements of the Code of Practice on Local Authority Accounting; • significant accounting estimates; and • analytical procedures on income and expenditure at the year-end and reconcile your management information to the information presented in the accounts on a gross basis. <p>No significant concerns were identified as a result of this work.</p>
<p>Valuation of properties</p> <p>Property, plant and equipment (PPE) represents a large balance in the Authority’s balance sheet. The Authority measures its properties at fair value, which involves a range of assumptions and the use of valuation expertise. ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p> <p>Specific areas of risk include:</p> <ul style="list-style-type: none"> • the accuracy and completeness of detailed information on assets;- • whether the Authority’s assumptions underlying the classification of properties are appropriate;- • whether properties that are not programmed to be revalued in the year might have undergone material changes in their fair value; and - • the valuer’s methodology, assumptions and underlying data, and our access to these. 	<p style="text-align: center;">● Other</p>	<p>Our final accounts procedures included testing of:</p> <ul style="list-style-type: none"> • agreement of fixed asset balances to the general ledger and fixed asset register; • the Authority’s assumptions underlying the classification of properties; • recalculation of revaluations and impairment charged during the year; and • consideration of external and internal factors which may have caused material changes in the fair value of properties which have not been revalued during the year. <p>No significant concerns were identified as a result of this work.</p>

Use of Resources (value for money)

Risk	Categorisation	Audit approach
<p>Savings Plans</p> <p>All local government organisations are faced with increased challenges in their medium term financial outlook. There continues to be a number of risks to the delivery of the plan, particularly in respect of:</p> <ul style="list-style-type: none"> • slippage - the Authority may not be able to achieve the savings planned either from service reductions or through efficiencies; • timing - the timing of planned savings, service reductions and funding announcements may impact delivery against the Comprehensive spending review targets; and • assumptions - significant policy changes might impact on the Authority's ability to deliver a balanced budget over the period of the plan. 	<p>● Other</p>	<p>We have reviewed the savings plan and investigated the reasons behind any significant variations from the plan.</p> <p>We have specifically considered :</p> <ul style="list-style-type: none"> • your record in delivering savings; • the governance structure in place to deliver the targets; • the level and extent of accountability; • project management arrangements; • monitoring and reporting; • progress on delivering the plan; • how the assumptions applied in your plan compare with other organisations and best practice; and • any other relevant accounting assumptions. <p>No significant concerns were identified as a result of this work.</p>

Significant audit and accounting matters

ISA (UK&I) 260 requires us to communicate to you relevant matters relating to the audit of the financial statements sufficiently promptly to enable you to take appropriate action.

Accounts

We have substantially completed our audit, subject to satisfactory resolution of the outstanding matters highlighted in our covering letter above. Following approval of the financial statements by the Executive Board we anticipate being able to issue an unqualified/modified audit opinion.

Accounting issues

The quality of the draft financial statements we were presented with for audit was good. We identified a number of amendments to disclosures within the statements, but none of these were considered to be significant. The Finance Team have worked hard to meet timescales for preparation and audit of the financial statements and were helpful in resolving our queries. We would like to thank the Finance Team for their support and assistance during the audit.

MRP

The Authority has exercised its discretion not to set aside a Minimum Revenue Provision (“MRP”) in the current year. Authorities do have discretion in this area, subject to statutory guidance, where there is a good reason to depart from the normal accounting treatment. Management have taken this decision following a re-examination of the way in which the MRP provision was calculated in previous years.

In particular, the treatment of the deferred premium as a capital item in the MRP calculation in previous years resulted in an increased level of provision. Management have decided to reverse the effect of this over-provision by taking a ‘holiday’ from this provision in the current year. Had this decision not been taken, the provision would have been £181,000.

This was reported to the Executive Board in June 2012, who approved an amended MRP Policy Statement, which included the revised approach.

We have reviewed this treatment and are satisfied that management have discretion in this area and we are not minded to challenge the Authorities treatment of MRP in 2011/12.

HRA and General Fund Account Adjustment

The Authority made a transfer between the HRA and the General Fund which required an adjustment to the Financial Statements of £800,000. The Local Government and Housing Act 1989 permits such a transfer from the HRA to the General Fund subject to certain conditions. We are satisfied that the Authority has met these conditions and that therefore this transfer is appropriate.

Misstatements and significant audit adjustments

Uncorrected misstatements

We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. We are pleased to note that there are no misstatements identified during the course of our audit, which remain unadjusted.

Adjusted misstatements

The net impact of the adjustments made to the accounts has been to increase net assets by £640,000.

The largest of the adjustments made to the draft financial statements related to 2011/12 NNDR refunds which had been incorrectly coded to 2012/13 (amounting to £801,000). This adjustment had no impact on the Authority's net assets.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the financial statements. We will ask the Executive Board to represent to us that they have considered the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements.

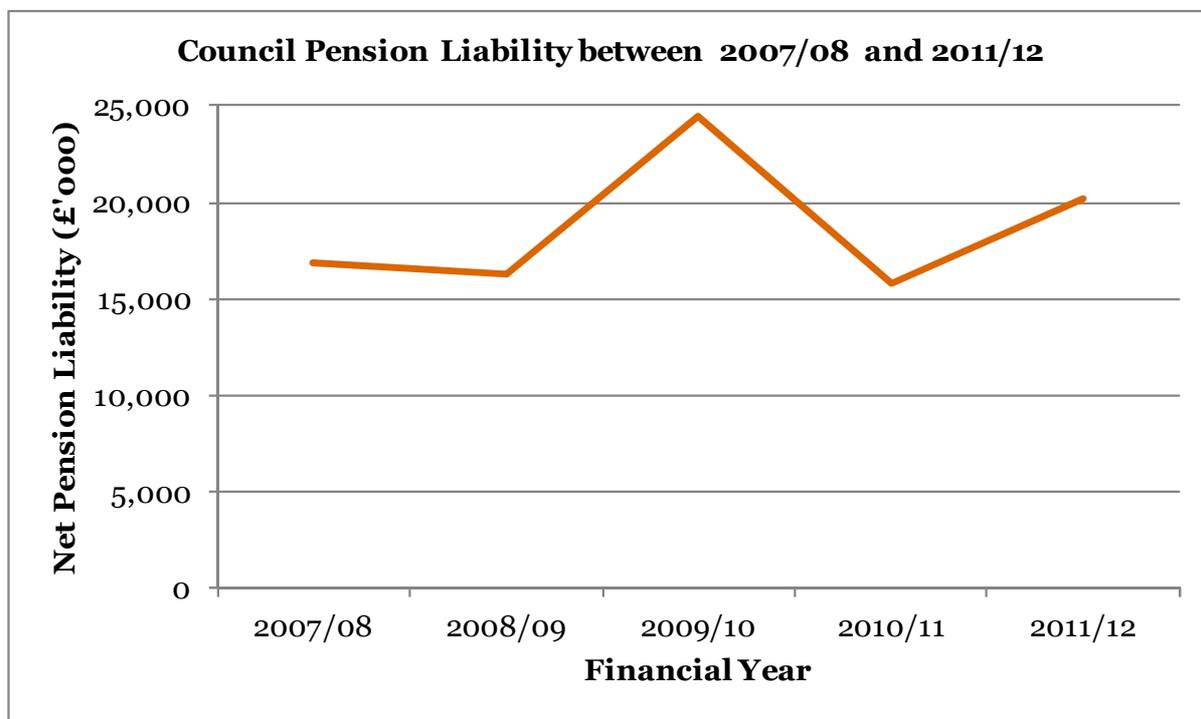
Judgments and accounting estimates

The following significant judgments or accounting estimates were used in the preparation of the financial statements.

Pensions liability

The most significant estimate included in the financial statements is in the valuation of net pension liabilities for employees who are members of the pension fund administered by Warwickshire County Council. The net pension liability as at 31 March 2012 for North Warwickshire Borough Council was £20.93 million. This represents an increase from prior year of £5.17 million.

The chart below demonstrates the significant movements that have occurred in the net pension liability over the past few years. These movements tend to be caused by an aggregate of actuarial assumptions and change in market conditions which will impact on pension fund asset values.



We have reviewed the reasonableness of the assumptions underlying the pension liability in the accounts. Overall we are comfortable with the net effect of the assumptions adopted. We also sought to validate the data supplied to the actuary on which to base their calculations.

Valuation of non-current assets

The valuation of non-current assets is a further area of significant judgement within the accounts. The Authority engaged the services of its internal valuer, a qualified chartered surveyor, to assess the value of the properties on the Authority's behalf. We have reviewed the assumptions applied by the valuer and have identified no significant issues. We have also sought to validate the data supplied to the actuary on which to base their calculations. No significant concerns were identified as a result of this work.

Assets held for sale

The Authority disposed of one car park during the year. This asset was originally valued at £75,000 and was revalued to £1,050,000 during the year. This asset was subsequently sold for £1,274,000. The reclassification, revaluation and disposal of this asset has been shown within the Assets Held for Sale note in the financial statements (Note 20).

The treatment is consistent with the Authority's accounting policies. The Authority has included an additional narrative disclosure in the financial statements to explain the fluctuations in the value of this asset more clearly to the reader.

Accruals

Accruals for expenditure and income are raised where an invoice has not been received or raised at the year-end, but the Authority knows that there is a liability to be met which relates to the current year. This involves a degree of estimation. Detailed testing was performed on significant accruals. No misstatements were identified from this work.

Bad Debt Provision

Your Bad Debt Provision is calculated by assessing the potential recoverability of invoices which are beyond the due date for payment. There is an inherent level of judgement involved in calculating this provision we believe this approach to be prudent and consistent between years.

Material risks and exposures

No material risks or exposures were identified.

Disagreements with management

There have been no disagreements with management about matters which, individually or in aggregate, would be significant to the entity's financial statements or our audit report.

Management representations

The final draft of the representation letter that we are requesting management and those charged with governance to sign is attached in the Appendix to this report.

Financial standing

There were no material uncertainties related to events and conditions that may cast significant doubt on the Authority's financial standing. We have concluded that in overall terms, you have sufficient resources available to meet your commitments for at least a 12 month period after the date of our audit opinion. We have therefore concluded that the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements.

Related parties

There are no related party matters to be communicated.

Audit independence

We are required to communicate at least annually with you regarding all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers' firms and associated entities ("PwC") and the Company, its directors and senior management and its affiliates ("the Group") that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

For the purposes of this letter we have made enquiries of all PricewaterhouseCoopers' teams whose work we intend to use when forming our opinion on the truth and fairness of the financial statements.

We confirm that, in our professional judgment, as at the date of this document, we are independent auditors with respect to the Authority and its related entities, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit engagement leader and the audit staff is not impaired.

Accounting systems and systems of internal control

It is the responsibility of the Authority to develop and implement systems of internal control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the financial statements and are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit.

We have identified no issues that we wish to bring to your attention. The audit work we have conducted has identified a small number of minor control weaknesses which we will report separately to management.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement ("AGS"), which is consistent with guidance issued by CIPFA / SOLACE: 'Delivering Good Governance in Local Government'. The AGS was included in the financial statements.

We will review the AGS to consider whether it complies with the CIPFA / SOLACE 'Delivering Good Governance in Local Government' framework and whether it is misleading or inconsistent with other information known to us from our audit work. We will provide an update to members on our conclusions in this area at the meeting of the Executive Board on 11 September 2012.

Value for money conclusion

Economy, efficiency and effectiveness

Our responsibilities as the Authority's appointed auditors require us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. In accordance with guidance issued by the Audit Commission, in 2011/12 our conclusion is based on two criteria:

- the organisation has proper arrangements in place for securing financial resilience; and
- the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

As in 2010/11, we have determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

Based on the work we have undertaken, we anticipate issuing an unqualified value for money conclusion.

Medium Term Financial Strategy

The creation of a Medium Term Financial Strategy involved a process of integrating a financial strategy with the corporate strategy which drove it. An updated Strategy was presented to the Executive Board in September 2011. The Authority's limited resources were allocated in accordance with the Strategy. In February 2012, the Executive Board accepted a revised budget for 2011/12 and an estimate of expenditure for 2012/13, together with forward commitments for 2013/14, 2014/15 and 2015/16. The process of developing the Financial Strategy and setting the budget is complemented by the regular budget monitoring throughout the year and the identification of additional savings. Extensive service reviews are being used by the Authority to identify areas where further savings could be made if necessary.

30 year business plan

The Authority has also approved a 30 year business plan in relation to the HRA self-funding regime. The Financial Strategy and the HRA business plan have both been subjected to robust analysis to assess the Authority's ability to manage changes in the financial position.

Service performance

Service performance is monitored through feedback from residents which is used to inform spending decisions. The Authority uses benchmarking data from SPARSE (Sparsity Partnership for Authorities delivering rural services) which helps to compare costs to other organisations. The Authority can also compare itself to district averages. There is no evidence to suggest that the savings achieved have had a negative impact on service users. However, the effect on users and on staff is being constantly monitored by the Authority.

Financial management

The Authority has a history of delivering good financial management. The 2011/12 outturn position on the General Fund Revenue Services was an under-spend against budget of £509,000 (excluding the £800,000 transfer between the HRA and General Fund referred to above). The reserves held by the Authority could be used in the future if savings targets are not achieved or if future reductions in grant settlements are greater than anticipated.

In September 2011, the Executive Board agreed the budget strategy for 2012 to 2016 which required savings of £1.7 million over a four year period. This requires budget savings of £563,000 in 2012/13 with additional savings of £420,000, £410,000 and £300,000 in 2013/14, 2014/15 and 2015/16 respectively. No provision for growth was built into the strategy. Assumptions can often have a significant impact on budget predictions. The

current economic climate is difficult and with many assumptions being applied there is an increased risk that one of the influencing factors may vary significantly from the Authority's expectations. We have reviewed the key assumptions in the MTFs and in the HRA business plan either against benchmark figures or our own expectations in order to consider their reasonableness.

Making accurate assumptions about the future funding level in particular is increasingly difficult. Reforms to local government finance in future years will introduce uncertainty regarding funding methods including the system for collecting NNDR income. This requires a level of prudence to be incorporated within the funding assumptions contained in the Strategy and the budget forecasts.

The Authority assumed a general cash reduction of around 26% over the next three years as the basis of their 2012 to 2016 forecast. 2015/16 will be year one of the next Comprehensive Spending Review. Given the continuing poor economic outlook, it has been assumed that the figure for 2015/16 will not increase, but will standstill at the 2014/15 level.

The accuracy of these assumptions will have a big impact in relation to the use of reserves and the level of savings required in the future. If further reductions in funding were announced this would result in the need to identify comparable savings to offset any variation from the assumptions in the plan. It is important that the Authority continues to focus on how the required efficiencies can be delivered whilst retaining an appropriate level of reserves to ensure the future financial resilience of the Authority.

Risks

In overall terms we were able to conclude that the assumptions used are reasonable. However, there remain a number of risks to the delivery of the plan, particularly in respect of:

- ability to achieve the savings planned either from service reductions or through efficiencies; and
- changing assumptions, or significant policy changes which may have a significant impact on the Authority's ability to deliver a balanced budget over the period of the plan.

Conclusion

Therefore, although we are satisfied with the robustness of the financial plans including the HRA business plan and the arrangements to secure financial resilience which have been made, some risks inevitably remain. The Authority needs to ensure that it continues to monitor progress against the Financial Strategy and the HRA business plan on a regular basis, paying particular attention to changes in the original assumptions it has made and any changes in policy or funding which could have an impact on delivery.

In overall terms, based upon the work that we have performed we anticipate concluding positively on the two stated criteria and plan to issue an unqualified conclusion on the Authority's use of resources.

Risk of fraud

We discussed with the Executive Board their understanding of the risk of fraud and corruption and any instances thereof when presenting our Audit Plan.

In presenting this report to the Executive Board we seek members' confirmation that there have been no changes to their view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.

Fees update

Fees update for 2011/12

We reported our fee proposals as part of the Audit Plan for 2011/12. Our actual fees are expected to be in line with our original proposals as follows.

Audit fees for 2011/12 were in the lowest quartile for the Authority's group and the lowest amongst the Authority's nearest neighbours.

	2011/12 Outturn (£)	2011/12 Fee proposal (£)
Audit fee, including financial statements audit, Use of Resources/Value for Money conclusion and Whole of Government Accounts.	92,635	92,635
TOTAL	92,635	92,635

Grants, claims and returns

In addition, we perform work relating to the certification of grants on behalf of the Audit Commission. The fees for this work are not included in the table above. Work on grant claims is billed based upon time taken to certify each claim at rates prescribed by the Audit Commission.

Non Audit Work

We have not undertaken any non-audit work for the Authority in 2011/12.

Indicative fees for 2012/13

As a result of the recent procurement exercise conducted by the Audit Commission and from internal efficiencies within the Commission itself, the Commission has been able to generate significant savings and has committed to passing on these savings to public bodies. Savings of up to 40 percent in fees have been passed on to public bodies through reductions in fees.

As a result, the Authority's indicative audit fee for 2012/13 will decrease to £55,581 (exclusive of VAT and fees for grant work). The Authority's indicative audit fee remains amongst the lowest of all district councils.

Appendices

Letter of representation

11 September 2011

To: PricewaterhouseCoopers LLP

Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Your Ref: AB/JA

Dear Sirs

This representation letter is provided in connection with your audit of the Statement of Accounts of North Warwickshire Borough Council (the "Authority") for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the Statement of Accounts gives a true and fair view, and has been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12.

My responsibilities as Deputy Chief Executive for preparing the financial statements are set out in the Statement of Responsibilities for the Statement of Accounts. I am also responsible for the administration of the financial affairs of the Authority. I also acknowledge that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of North Warwickshire Borough Council with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Financial Statements

I have fulfilled my responsibilities, for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12; in particular the financial statements give a true and fair view in accordance therewith.

All transactions have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

All events subsequent to the date of the financial statements for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 requires adjustment or disclosure have been adjusted or disclosed.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of North Warwickshire Borough Council with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

There are no uncorrected misstatements in the financial statements as a whole.

Information Provided

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you (the Authority's auditors) are aware of that information.

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters, including minutes of the Executive Board and relevant management meetings;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the authority from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I 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.

I have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority 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.

I have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the financial statements.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.

The pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the payment schedule / schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that we have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that the Authority has made you aware of all employee benefit schemes in which employees of the authority participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the Authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the Authority or any associated company for whose taxation liabilities the Authority may be responsible.

Pension fund assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2012, have been taken into account or referred to in the financial statements.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2012 have been properly valued and that valuation incorporated into the financial statements.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the Authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund. Any significant changes in those values since the date of the financial statements have been disclosed to you.

Pension fund registered status

I confirm that the Warwickshire Pension Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

Bank accounts

I confirm that we have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Going Concern

An assessment has been made of the financial health of the Authority for a period of at least one year from the approval of the financial statements.

Assets and liabilities

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Authority has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the financial statements.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the year end have been properly valued and that valuation incorporated into the financial statements. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the financial statements.

Using the work of experts

I agree with the findings of both our valuer and the pension fund actuary, experts in evaluating the value of our non-current assets and pension fund liabilities respectively and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records.

The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

As minuted by the Executive Board at its meeting on 11 September 2012

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Deputy Chief Executive

For and on behalf of North Warwickshire Borough Council

Date

In the event that, pursuant to a request which North Warwickshire Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. North Warwickshire Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and North Warwickshire Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, North Warwickshire Borough Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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