

# *Melton Borough Council*

*Report to those charged with governance*

Report to the Governance Committee on the audit for the year ended  
31 March 2013 (*ISA (UK&I) 260*)

Government and  
Public Sector

September 2013

---

# Contents

## **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.*

<b>Executive summary</b>	<b>2</b>
<b>Audit approach</b>	<b>5</b>
<b>Significant audit and accounting matters</b>	<b>8</b>
<b>Internal controls</b>	<b>14</b>
<b>Risk of fraud</b>	<b>15</b>
<b>Fees update</b>	<b>16</b>
<b>Appendices</b>	<b>17</b>
<b>Appendix 1: Summary of uncorrected misstatements</b>	<b>18</b>
<b>Appendix 2: Letter of representation</b>	<b>19</b>

*An audit of the Statement of Accounts 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. We have issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.*

---

# **Executive summary**

## **Background**

This report tells you about the significant findings from our audit. We presented our Audit Plan to you in March 2013; we have reviewed the Plan and concluded that it remains appropriate.

## **Audit Summary**

- We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts.
- The key outstanding matters, where our work has commenced but is not yet finalised, are:
  - review of the detailed disclosures in the latest draft Statement of Accounts;
  - completion of Whole of Government Accounts procedures;
  - approval of the Statement of Accounts and letters of representation; and
  - completion procedures including subsequent events review.
- There are several key judgements which require the Governance Committee's attention – further details are set out commencing on page 8.
- The Governance Committee need to confirm the proposed treatment of the unadjusted misstatement listed in Appendix 1.

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 the audit on time so that we could make a prompt and efficient start to our work on the first day we arrived.

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 on the financial statements.

Significant audit and accounting issues.



As part of our audit we did not identify any material adjustments and just one immaterial misstatement included within Appendix 1.

We did not identify any significant audit and accounting issues that impacted upon our approach or audit opinion.

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 have been included within this report on page 14.

---

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 on page 13.

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.

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

We look forward to discussing our report with you on 24<sup>th</sup> September 2013. Attending the meeting from PwC will be Ben Connor and Tom Gibbs.

*This section sets out our approach to the significant and other risks identified within our Audit Plan.*

# Audit approach

We have summarised below the significant risks we identified in our Audit Plan and the audit approach we took to address them.

Risk	Categorisation	Audit approach
<p><b>Fraud and management override of controls</b></p> <p>ISA (UK&amp;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>●</p> <p>Significant</p>	<p>We updated our understanding of the Authority’s controls around journals. We have also understood the Authority’s processes and controls relating to staff leavers, such as physical security and access to IT systems. Our final accounts procedures included testing of:</p> <ul style="list-style-type: none"> <li>• the appropriateness of journals processed during the year;</li> <li>• Internal Audit’s work surrounding management’s ability to override journals;</li> <li>• key year-end control account reconciliations, including the bank reconciliation;</li> <li>• transactions recorded after the year-end;</li> <li>• significant accounting estimates; and</li> <li>• performance of unpredictable audit procedures.</li> </ul> <p>We noted a controls issue in relation to journals authorisation, see explanation on page 14.</p> <p>No significant concerns were identified as a result of our work.</p>

Risk	Categorisation	Audit approach
<p><b>Recognition of revenue and expenditure</b> Under ISA (UK&amp;I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition.</p> <p>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.</p> <p>Accounting policies or the treatment of income and expenditure may lead to material misstatements in the reported revenue position.</p>	<p>● Significant</p>	<p>We understood and evaluated the Authority's revenue and expenditure controls and reviewed the work performed by Internal Audit in order to establish whether these are operating effectively. Our final accounts procedures included testing of:</p> <ul style="list-style-type: none"> <li>• the appropriateness of journals processed during the year;</li> <li>• 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;</li> <li>• routine income and expenditure transactions;</li> <li>• significant accounting estimates;</li> <li>• revenue and expenditure cut off at year end;</li> <li>• a sample of income and expenditure transactions; and</li> <li>• analytical procedures on income and expenditure at the year-end and reviewing the reconciliation of your management information to the information presented in the accounts on a gross basis.</li> </ul> <p>No significant concerns have been identified as a result of this work.</p>

## Risk

### Meeting the financial challenge

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:

- national changes- new arrangements in relation to Council Tax Benefits and NNDR will have an impact on the Authority's financial plans;
- the authority's plans to participate in the pilot scheme for the introduction of the University Credit, as part of the DWP's benefit reforms.
- 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;
- assumptions- significant policy changes might impact on the Authority's ability to deliver a balanced budget over the period of the plan.

There is also a risk of deteriorating operational performance and quality due to reduced resources and management capacity where cost savings are made without careful consideration.

## Categorisation

●  
Other

## Audit approach

To complete our work against this audit risk, we:

- reviewed the Authority's budget for 2013/14 and its Medium Term Financial Strategy;
- understood the Authority's performance measurement framework and how it ensured the Authority's performance was maintained; and
- challenged the Authority's relative performance using the Audit Commissions value for money indicators.

We did not identify any concerns over the Authority's financial resilience. A surplus has been achieved in 2012/13 which has further increased general fund reserves. The Authority is aware of future financial restraints and has established plans to mitigate shortfalls from unsustainable funding sources.



*Significant audit and accounting matters are set out here, including any critical judgements and estimates made by managements that we wish to bring to the attention of the Governance Committee.*

## ***Significant audit and accounting matters***

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

### ***Accounts***

We have completed our audit, subject to the following outstanding matters:

- review of the detailed disclosures in the Statement of Accounts;
- approval of the Statement of Accounts and letters of representation;
- completion of Whole of Government Accounts procedures; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and their approval we expect to issue an unqualified audit opinion.

As part of our work on the Statement of Accounts we have also examined the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and anticipate issuing an opinion stating in our view they are consistent with the Statement of Accounts.

### ***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.

### ***Misstatements and significant audit adjustments***

We are required to inform you of all uncorrected misstatements we found during the audit, other than those which are trivial. We have one uncorrected misstatement to report. Details of this misstatement are included in Appendix 1. This misstatement, if adjusted, would have no impact on the Authority's surplus for the year, or net assets position.

## *Significant accounting principles and policies*

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask management to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered.

## *Judgments and accounting estimates*

The following significant judgements or accounting estimates were used in the preparation of the Statement of Accounts:

### *Pensions liability*

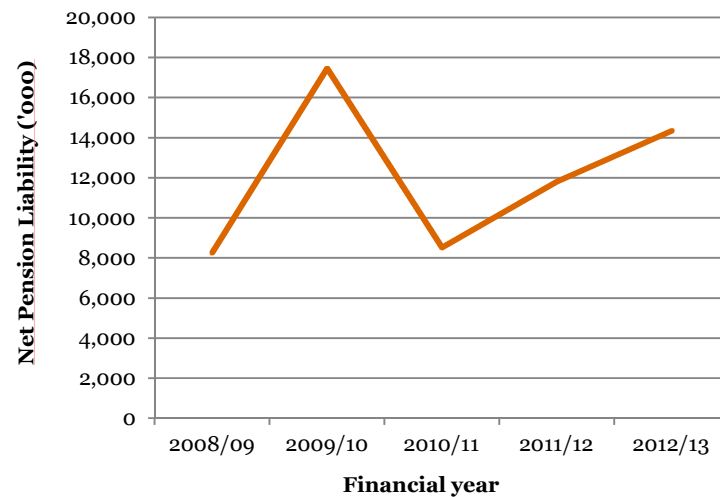
The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Authority's share of the Leicestershire County Council Local Government pension fund. The Authority's net pension liability at 31 March 2013 was £14.3 million (2012 - £11.8 million).

The 2013 triennial valuation is yet to be concluded and will be reflected in the 2013/14 Statement of Accounts. The deficit for the Local Government Pension Scheme as a whole is expected to have increased from £38bn to £80bn since 2010.

Although assets increased in value in this period by 20%, the value of the liabilities has increased by more than 40% as these are linked to gilt prices which are at an all time high.

The chart below shows the significant movement in your net pension liability over the last few years.

### *Council Pension Liability between 2007/08 and 2012/13*



We have challenged the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range.

We validated the data supplied to the actuary on which to base their calculations and did not find any exceptions.

#### *Valuation of non-current assets*

The valuation of non-current assets is a further area of significant judgement within the accounts. The Authority used the services of an external valuer to assess the value of the properties as at 31<sup>st</sup> March 2013.

We used our internal valuations experts to review the assumptions and methodologies applied by the valuer and identified no significant issues. We also validated the base data on which the valuations are based and agreed the valuations information to the asset register, general ledger and final accounts.

#### *Accruals*

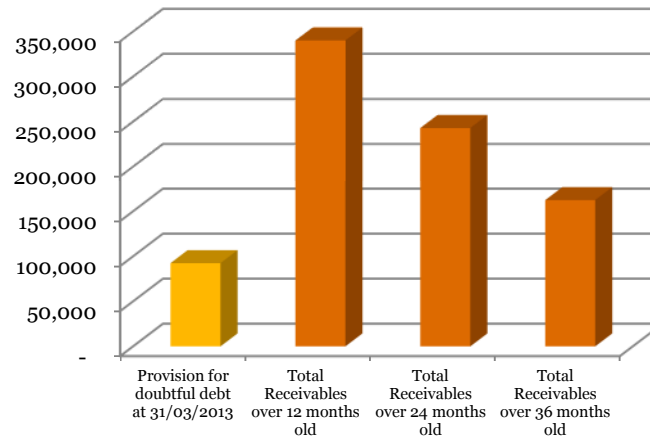
Accruals for income and expenditure are raised where an invoice has not been received or raised at the year-end, but the Authority knows that there is a liability to be met which relates to the current year. This involves a degree of estimation. Detailed testing was performed on significant accruals.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

#### *Bad Debt Provision*

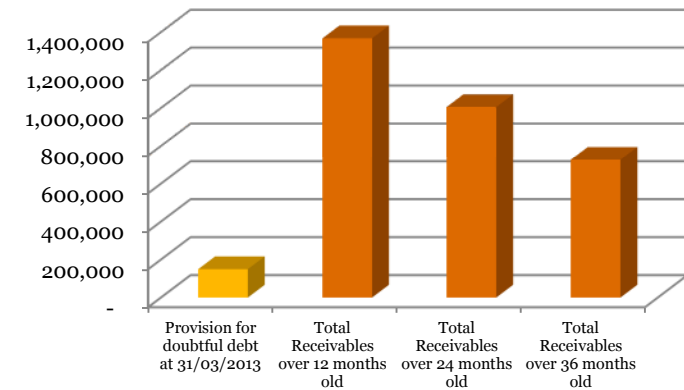
Your Bad Debt Provision is calculated by assessing the potential recoverability of invoices which are beyond the due date for payment. There is an inherent level of judgement involved in calculating this provision. We have discussed the approach to calculating the provision with management. This is based on a combination of applying a set percentage based on the Authority's previous track record in the collection of debt and a review of specific debts to assess recoverability.

We reviewed the level of the Authority's bad debt provision against old outstanding debts as at 31<sup>st</sup> March 2013 for each type of receivable (trade debts, housing rents, business rates and council tax). We identified significant amounts of Council Tax and Business Rates debtors older than 12 months, against which minimal provision had been made. The following graphs represent the levels of outstanding debts as at 31 March 2013 compared to the provisions made in the Authority's Statement of Accounts.

**Business Rates Provision vs Aged Receivables at 31st March 2013**



**Council Tax Provision vs Aged Receivables at 31st March 2013**



Through our knowledge of the industry and previous discussions with management, we are aware that it is common practice for the Authority not to write off old debt and to continue to seek recovery, particularly in relation to Council Tax and Business rates. We have therefore satisfied ourselves that there is no risk of material misstatement relating to provisions.

### *Management representations*

The final draft of the representation letter that we ask management to sign is attached in Appendix 2.

### *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 were no matters to be communicated in relation to related parties.

### *Audit independence*

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “Communication with those charged with governance”, UK Ethical Standard 1 (Revised) “Integrity, objectivity and independence” and UK Ethical Standard 5 (Revised) “Non-audit services provided to audited entities” issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Authority 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 Statement of Accounts.

### *Relationships and Investments*

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

### *Services to Directors and Senior Management*

PwC does not provide any services e.g. personal tax services, directly to directors or senior management.

### *Rotation*

It is the Audit Commission's policy that auditors at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission’s view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve auditors for an additional period of up to no more than two years, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor’s independence or objectivity. We confirm our compliance with rotation policy.

### *Gifts and hospitality*

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority’s senior management or staff.

### *Conclusion*

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We would ask the Governance Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

### *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 Statement of Accounts.

We reviewed the AGS to consider whether it complied 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 found no areas of concern to report in this context.

### *Economy, efficiency and effectiveness*

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes 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.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We anticipate issuing an unqualified value for money conclusion.

*We report several internal controls issues within this section.*

*No material controls issues were identified.*

# Internal controls

## Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial 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 Statement of Accounts and our review of the Annual Governance Statement.

The matters that we wish to bring to your attention are included within the table below. None of the controls deficiencies identified had a significant impact on our audit approach.

## Reporting requirements

We have to report to you any deficiencies in internal control that we found during the audit which we believe should be brought to your attention.

## Summary of significant internal control deficiencies

Deficiency	Recommendation	Management's response
<p><b>Contracts Register Completeness:</b> Two new significant contracts that were entered into during 2012/13 had not been included in the Authority's contract register.</p>	<p>All new contracts should be added to the contract register in order to ensure the register is complete.</p>	<p>As of 1<sup>st</sup> July 2013 a new process for completion of the Contracts Register has been adopted. All new contracts to be forwarded to Legal Services with accompanying summary sheet for inclusion on the Contracts Register. This will centralise the process to minimise any possibility of reoccurrence of any omissions in the future. The new process has been rolled out to all Senior Managers.</p>
<p><b>Journal Authorisation:</b> Of 10 manual journals tested, we found that 4/10 had been approved after they had been entered onto the ledger. The total value of these journals was £9.6 million.</p>	<p>All manual journals should be approved by an appropriate individual prior to being entered onto the financial ledger. We recommend that the Authority implements a control to sample check journal authorisation on a periodic basis to identify and investigate instances of non-compliance.</p>	<p>During the closedown period, the asset journals were completed in a timely manner, but due to the inexperience of the line manager, further information was requested before sign-off took place. This placed an additional burden and it was agreed that in this instance journals could be added to the ledger so as not to hold the closedown process up while the additional information was compiled.</p>
<p><b>Northgate Housing System Access:</b> We identified that one leaver had not had their access removed from the Northgate system for 11 months after they had left the Authority. Further testing confirmed that this individual had not accessed the system during this time.</p>	<p>The Authority should ensure that existing controls to remove leavers from all systems are operating effectively in practice. We recommend that the Authority implements a periodic reconciliation between a listing of leavers to IT system access reports to ensure that all leavers have had their access removed.</p>	<p>A 3-monthly review of users is carried out by Financial Inclusion Officer within Communities &amp; Neighbourhoods using a new report security listing in Business Objects to identify users and their access. This action is supported and reviewed by the newly formed internal Northgate User Group.</p>

---

## ***Risk of fraud***

We discussed with the Governance Committee its understanding of the risk of fraud and corruption and any reported instances when presenting our Plan.

Since issuing our audit plan management has made us aware of a fraud at the Authority relating to bank detail changes. This occurred after the 2012/13 year end. The Authority is currently undertaking an investigation to determine the cause of the fraud and to review the operation and design of controls relating to supplier standing data adjustments.

In presenting this report to you we ask the Governance Committee for confirmation that there have been no changes to its 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 2012/13*

We reported our fee proposals in our Plan.

Our actual fees were in line with our proposals.

Our fees charged were therefore:

	2012/13 outturn	2012/13 fee proposal
<b>Statement of Accounts</b> (including whole of government accounts and Value for Money work)	56,658	56,658
<b>TOTAL</b>	<b>56,658</b>	<b>56,658</b>

Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance within the Grants Report to Management in relation to 2012/13 grants.

---

# *Appendices*

*This section sets out the uncorrected misstatements identified during the audit.*

*We did not identify any misstatements that were subsequently adjusted for by the Authority.*

## Appendix 1: Summary of uncorrected misstatements

We found the following error during the audit that has not been adjusted by management. The Governance Committee is requested to consider this formally and determine whether it wishes the accounts to be amended. We request confirmation that the Governance Committee is satisfied that this misstatement remains uncorrected.

No	Description of misstatement (factual, judgemental, projected)		Income statement		Balance sheet	
			Dr	Cr	Dr	Cr
1	Dr Payables Cr Receivables	F	0	0	75,678	75,678
<p>We identified several receivables invoices (total value £75,678) that were raised in advance for 2013/14 and therefore should have been excluded from the 2012/13 accounts. In order to remove the effect of these items from the Statement of Accounts, the Authority raised a corresponding payable journal, thus the impact on the Authority's net assets is nil.</p> <p>However, this transaction means that for 2012/13, both Payables and Receivables are overstated. Instead the Authority should have removed these items by crediting Receivables.</p> <p>This misstatement is therefore presentational and does not impact the Authority's general fund balance.</p>						
<b>Total uncorrected misstatements</b>			<b>0</b>	<b>0</b>	<b>75,678</b>	<b>75,678</b>

---

# ***Appendix 2: Letter of representation***

September 2013

**To: PricewaterhouseCoopers LLP**

To PricewaterhouseCoopers LLP  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

Your Ref: MBC AB

Dear Sirs

This representation letter is provided in connection with your audit of the Statement of Accounts of Melton Borough Council (the “Authority”) for the year ended 31 March 2013 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 2012/13 and the Service Reporting Code of Practice 2012/13.

My responsibilities as Section 151 Officer 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 Melton 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 2012/13; 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.

I confirm that the selection and application of accounting policies is appropriate.

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 2012/13 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 Melton 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.

### ***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 relevant management and Committee 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.

### ***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 2012/13.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2012, 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 2012/13.

### ***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 2013, 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 2013 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.

### ***Bank accounts***

I confirm that we have disclosed all bank accounts to you.

### ***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.



**Property, Plant and equipment**

We confirm that the approach taken by the Authority in determining the valuation of property, plant and equipment as at 31 March 2013 is considered to be appropriate.

**Allowance for Doubtful Debts**

We confirm that the allowance for doubtful debts reflects our best knowledge of the expected future recovery of outstanding receivables as at 31 March 2013.

***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 Governance Committee at its meeting on 24<sup>th</sup> September 2013

.....

Section 151 Officer  
For and on behalf of Melton Borough Council

Date .....



In the event that, pursuant to a request which Melton 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. Melton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Melton Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Melton 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.

This document has been prepared only for Melton Borough Council and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2013 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

130610-142627-JA-UK