



Hinckley & Bosworth
Borough Council

A Borough to be proud of

Date: 06 September 2016

To: All Members of Council

Copy to all other Members of the Council

(other recipients for information)

Dear Councillor,

Please see overleaf a Supplementary Agenda for the meeting of the **COUNCIL** on **TUESDAY, 6 SEPTEMBER 2016** at **6.30 pm**.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Owen'.

Rebecca Owen
Democratic Services Officer

SUPPLEMENTARY AGENDA

8. **QUESTIONS**

Questions received under Council Procedure Rule number 11.1

- (a) Question from Councillor Cartwright to the Leader (Executive member for Finance)

“With an increasing number of High Street banks offering cashback on direct debit payments to customers who pay their utility bills such as gas, electric and council tax by direct debit, would the Executive member for Finance please answer the following questions:

- (i) Taking, for example, my property in Groby, a band D property, as a reference – what is the actual cost in financial terms, with and without officer time, to collect my council tax by the various methods available to me, broken down in a clear financial statement?
- (ii) What is the cost in collecting each of the ten direct debits and the total cost of collecting the yearly payments?
- (iii) Does the council pay a commission to those banks that do not offer this incentive to their customers or pay a reduced amount compared to the banks that do not offer this incentive?”

Response from Councillor Hall

“Thank you for your question, Cllr Cartwright. With regard to parts (i) and (ii), we do not hold the information to calculate this cost. However our average cost of collection per property is £9.10. From this, direct salary costs are £6.70.

74% of council tax payers use the direct debit payment option.

Three files per month are sent for council tax. The annual charge for this is £126.

In response to part (iii), no commission is paid to any bank or financial institution.”

- (b) Question from Councillor Witherford to the Executive member for Environmental Health

“The current Environmental Report states that requests for rat treatments are down by 65% since the introduction of the charges set out in the latest budget statement. This charge was challenged by our group at the time and concerns were shown that the public would resist reporting possible infestations due to this imposition. I cannot believe that there has been a reduction in the rat population in Hinckley and Bosworth to this extent as the redevelopment programme is still ongoing, additional housing estates are coming forward and the consequent disturbance of habitat is evident. It is common knowledge that this area, with its underground streams, brooks and ponds, has always had a large rat population which was adequately controlled by treatments provided free of charge by this Council in the past.

In the interests of the health, safety and wellbeing of all our residents, can the Executive member confirm that the administration will agree to revert to a no-charge situation for reporting evidence of rat infestations?”

Response from Councillor Morrell

“I thank Cllr Witherford for her question. I can confirm that, as predicted, the number of requests for treatments carried out by the council has decreased since April this year following the introduction of a £20 charge. Requests for this service vary considerably from year to year depending on the weather and other factors affecting the sightings of rats. The last two years have seen significant increases in treatments but compared to three years ago the current reduction in treatments is only down by 28%. The majority of treatments occur during the late summer and early autumn so it is probably too early to draw firm observations as to the impact of charging. When the service is free, residents are happy to request a treatment even if only a single transient rat has been seen and often no further “take” of poison occurs. Officers have not observed a significant increase in complaints relating to rats which would be expected if populations had significantly increased. The service continues to work with Severn Trent Water in baiting local sewers on a proactive basis. We will continue to monitor the situation but at the current time we are not minded to reintroduce a free service, something which is very rare for local authorities during these current financial restrictions. £20 is still a highly subsidised cost compared to those charged by private pest control contractors and represents very good value for the comprehensive treatment received.”

(c) Question from Councillor Hodgkins to the Leader (Executive member for Finance)

“Following the withdrawal of a court case involving one of our tenants recently, when it was determined that the tenant in question should get a full refund of the charges made to her in regard to the so called “bedroom tax”, can the Executive member please advise how many other council tenants are in a similar situation. In the interest of consistency, can the Executive member please confirm that they too will receive similar refunds and what will be the total cost to the council for such reimbursements?”

Response from Councillor Hall

“Thank you, Cllr Hodgkins, for your question.

It is very difficult to give a definitive answer in respect of numbers, cost and consistency, because the circumstances will differ in each case. Indeed, the case you quote had its own complexities and changes in circumstances – hence the delay in being able to give a definitive response.”

9. LEADER OF THE COUNCIL'S POSITION STATEMENT

After a summer without a full Council meeting there is a great deal on tonight’s agenda for Council to consider.

The discussion about Hinckley Cottage hospital is of interest to many, and I know that the public will be keen to understand how this Council is working with the CCG to secure better medical services for the Borough.

Our commitment to improving some of those health services is also evident tonight as we consider the sale of land for the expansion of a GP surgery. Other sites are also to be

marketed for disposal as potential building plots.

Among some more interesting papers we also have the audited accounts to approve this evening, which have no significant changes to the draft documents previously considered by members. This will be followed by a discussion on our efficiency plan which will be submitted to Government in order to fix our Revenue Support Grant at known values for a four year period, helping with the achievement of our MTFs and a balanced budget.

A Corporate restructure is presented to members for approval, which forms part of the basis for our efficiency plan. This is a significant change to the way Council is organised and introduces further efficiencies and cost savings which tax payers will ultimately appreciate.

As part of our drive to improve the planning process, and after cross party consultation, we are making some proposals to improve the engagement of members, and to promote better decision making by planning committee. These measures will make it easier for members to obtain the evidence they need to support their decisions, and will also enhance Council's ability to defend any subsequent appeals. We are also bringing forward a commitment to support Communities who wish to develop Neighbourhood development plans, to better protect their own local area.

This administration is committed to the improvement of our Borough, and we recognise that part of the way to do that is to help some of our parished communities to fund community infrastructure projects. That is why tonight we are improving the Parish and Community Initiative Fund by raising the value of permitted projects, increasing the total funding available in line with our budget proposals, and reducing the proportion of funding that communities need to provide for themselves. We are also introducing a new Developing Communities Fund, which will make funding available for community infrastructure projects in excess of £12,000 in value. A minimum matched funding requirement as low as 25% will be needed for Parished areas which already charge the highest precepts. This represents a significant investment across our Borough, details of which will be mailed to Parish Councils tomorrow.

Finally, and in private session, we will discuss the latest position on car parking in Hinckley Town centre and the actions this Council may need to take to bring additional visitors, especially to the upper part of the town.

15. AUDIT RESULTS REPORT (ISA260) FOR THE YEAR ENDED 31 MARCH 2016 (Pages 1 - 26)

Report of the external auditor attached.

20. PROPOSALS FOR REARRANGEMENTS FOR PLANNING COMMITTEE

There are two pieces of supplementary information relating to this item:

Proposed addition to the Council's Constitution:

Code of Conduct and Guidance for Members of the Planning Committee – Section 6 'Decision Making' – Paragraph 6.7

"In considering an application for planning permission, there shall not, on the first consideration of the application, be a refusal of permission against an officer's recommendation in the committee report for approval, and any such motion shall be deemed to be a motion of 'minded to refuse' and consideration of that application will be deferred to the next meeting of the Planning Committee

In considering the application at the subsequent meeting of the Planning Committee, only

officers and members of the committee will be allowed to speak on the application.

The Planning Committee may at this subsequent meeting determine to grant permission either unconditionally or subject to conditions, or to refuse the application, in accordance with section 70 of the Town and Country Planning Act 1990”

Updated financial implications:

5. FINANCIAL IMPLICATIONS (AW)

The Table at 5.2 has been amended to include the 2016/17 financial year to date, as at the 25 July.

Legal costs for cases over £2.5k	2016/17	2015/16	2014/15	2013/14	Total
Overtaken by Committee	43,313	£49,212	£31,116	£55,028	£135,3
Allowed on appeal	6,695*	£6,000	£18,635	£51,899	£76,5
Percentage successful on appeal	15.4%	12.2%	59.9%	94.3%	56.

* This is in relation to one appeal that has not been decided as yet, the costs are those incurred to date. Total costs expected by planning to defend this appeal are estimated to range from £20,000 to £25,000.

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Hinckley and Bosworth Borough Council

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

August 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Hinckley and Bosworth Borough Council for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items/outstanding items included in Appendix C we will issue an audit opinion in the form which appears in Appendix F:</p> <ul style="list-style-type: none"> • Review of the final version of the financial statements • Completion of subsequent events review • Receipt of the signed management representation letter • Completion of Whole of Government Accounts audit procedures • Assurance letter from auditor of Leicestershire County Pension Fund <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We are to complete work directed by the National Audit Office (NAO) regarding the Whole of Government Accounts submission.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>Our audit identified a number of audit differences which our team have highlighted to management for amendment. These have been corrected during the course of our work and further details are provided at Appendix B. These adjustments have resulted in a decrease in unusable reserves of £6.6m.</p>
Scope and materiality	<p>We have assessed materiality at the Council to be £1,096,340 this based on the actual results for the financial year.</p> <p>The threshold for reporting audit differences which impact the financial statements is £54,817 to £548,170. The basis of our assessment is 2% of gross operating expenditure.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:</p> <ul style="list-style-type: none"> • Remuneration disclosures including any severance payments, exit packages and termination benefits

-
- Related party transactions

We carried out our work in accordance with our Audit Plan issued 1 March 2016 with the following amendments:

- We have rebutted the risk of fraud in revenue recognition for fees, charges and other service income

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:

- Risk of fraud in expenditure recognition in other service expenses
- Risk of management override.

The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues

Other reporting issues

We have no other matters we wish to report.

Control observations

During the audit, we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. These are set out in the "Assessment of control environment" section of this report.

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

Stephen Clark

Partner
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Reviewed accounting estimates for evidence of management bias; and • Evaluated the business rationale for any significant unusual transactions 	<p>From the testing carried out we have found no significant findings to report. Sufficient assurance has been obtained.</p>
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. We have rebutted this risk in all revenue streams.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. This risk manifest itself at the council in other service expenses.</p>	<ul style="list-style-type: none"> • Reviewed and tested expenditure recognition policies; • Reviewed and discussed with management any accounting estimates on expenditure recognition for evidence of bias; • Developed a testing strategy to test material expenditure streams; and • Reviewed and tested cut-off at the period end date. 	<p>From the testing carried out we have found no significant findings to report. Sufficient assurance has been obtained.</p>

We also identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p>Pensions</p> <p>The Council participates in the Local Government Pension Scheme. The volatility in global investment markets and the associated impact on scheme surpluses/deficits creates a risk of failure to maintain a financially robust pension provision for employees.</p>	<p>We have audited the assumptions used when accounting for pension obligations and related disclosures with support from our actuarial specialists.</p>	<p>We have obtained sufficient assurance and are satisfied that the figures presented in the as pensions are free from material misstatement.</p>
<p>Property Plant Equipment Valuation</p> <p>A significant proportion of the Councils balance sheet is in respect to Property Plant and Equipment</p>	<p>We have tested the revaluation cycle, including instruction and completeness of information provided by the valuer.</p> <p>We have reviewed the classification of assets and ensured that the correct valuation method has been applied.</p> <p>We have reviewed the approach adopted by the valuer and their findings.</p>	<p>During our walkthrough audit we identified an error in input of revaluation in the fixed asset register. The council undertook further procedures and identified that an adjustment of £6.6m was required as assets and unusable reserves were overstated and the council have reproduced their financial statements.</p> <p>We have tested a 100% of revaluations as presented in the restated financial statements and have assurance that the restated balance is free from material misstatement.</p>

Opening balances

We have performed relevant audit procedures on the Council's opening balances and have obtained assurance that they are free from material misstatement.

We had no further observations or matters to report relating to the opening financial position as at 1 April 2015.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have no matters we wish to report.

We wish to report the following matters:

- As part of our final audit procedures we undertook a walk though of property, plant and equipment and found an error in respect to the input of revaluation information on the fixed asset register. The Council carried out additional procedures to calculate the overall impact of the error and found a £6.6M adjustment which affected both the balance sheet and the reserves. The mistake was due to a processing deficiency where an individual inputted the wrong information.

We recommend that the Council ensures that they ensure that a review of the input onto the fixed asset register is carried out as part of closedown procedures in future years.

Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

Description	Impact
Bank Reconciliations	<p>During the interim audit we identified that there was a backlog of bank reconciliations which had not being completed in a timely manner due to a staff absence.</p> <p>We have recommended to the Finance team to complete these reconciliations in a timely manner and also to create more resilience in the team so that there is adequate cover to complete these if members of the team are unavailable. This was a similar finding to what has been reported by Internal Audit.</p> <p>Management Response: An internal deadline to ensure reconciliations were upto date for 15/16 by June 2016 was set by management. We are happy to report that the council has now completed all bank reconciliations.</p>
Financial System Policies	<p>The walkthrough of the accounts payable and receivable system noted that there was a lack of clear policies on the procedures involved in operating these processes.</p> <p>We recommended that the processes involved in these financial systems are clearly documented in guides. This will enable consistency in operations and create more resilience in the team to operate these processes as required. As there has been high turnaround in the finance team it is important that there are clear guidelines in place for staff to operate financial systems.</p> <p>Management Response: Agreed, polices require to be reviewed and introduced where absent. There are policies and procedures in place, but accept these need to be reviewed for any gaps and strengthened were needed. This will be worked over medium term with policies being drafted by Dec 31 2016.</p>

Fixed Asset Register

The walkthrough of the fixed assets register found errors in relation to input of revaluation information from the valuer into the register. The council carried out further procedures and identified that there was a £6.6m overstatement in the financial statements and the fixed asset register.

Review of prior year valuation reports found that a class of asset was not depreciated, as these assets were missed in the calculation in depreciation. This resulted in an understatement of depreciation of £115k.

We recommend that going forward that the council ensure that a review of the fixed asset register is completed after valuation data is inputted.

We also recommend that the council carry out a completeness check to ensure that all assets requiring depreciation in year are depreciated based on their useful expected life.

Management Response: Previously these controls had been in place, but were not carried out effectively as part of close down procedure. The council agree that these controls will be implemented going forward.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

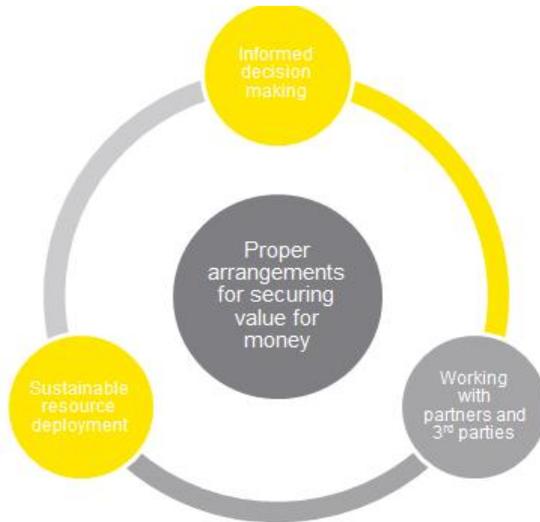
We have requested a management representation letter to gain management's confirmation in relation to a number of matters, as outlined in Appendix G.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements. We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Appendix A – Uncorrected audit differences

We have identified one uncorrected audit difference that we would like to report.

Disclosure	Description of difference
NNDR Provision	Audit testing identified an error in computation which meant that the provision was not calculated correctly, this lead to an understatement of the provision by £70k.

Appendix B – Corrected audit differences

The following corrected differences, which are greater than £54, 817, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £m	Comprehensive income and expenditure statement (Decrease) / Increase £m
Property, Plant and Equipment	(6.6)	(6.6)
<p>The revaluation of assets was overstated in the financial statements. This has resulted in a decrease of Property, Plant and Equipment on the balance sheet by £6.6m and also a reduction of unusable reserves. This adjustment does not impact the general fund.</p>		
	(6.6)	(6.6)

Disclosures

Disclosure	Description of difference
Note 11 Property Plant and Equipment	Audit testing identified a class of assets which had not been depreciated, resulting in an understatement of depreciation of £115k.
Note 14 Intangible Notes	Review of the Intangible asset register found that there were inconsistencies with what was reported in Note 14.
Note 16 Cash and Cash Equivalents	Audit testing identified a balance of £258k which was in relation to Revenue and Benefits, which did not meet the definition of a cash equivalent balance and therefore reclassified as a Payable.
Note 16 Cash and Cash Equivalents	Audit testing identified a balance of £192k which was incorrectly classified as cash and should have been recognised as a Payable.
Note 29 Members Allowances and Note 35 Senior Officers Remuneration	Audit testing identified that the disclosure of members allowances and senior officers remuneration were incorrect. The Council have adjusted the disclosure in line with audit findings.
Note 30 Audit Fee	We have noted that the audit fees for 15/16 included amounts from prior year in respect to predecessor auditor

Appendix C – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Review of the final version of the financial statements	Final review of the amended financial statements post audit amendments	EY and management
Management representation letter	Receipt of signed letter of representation	Management and Audit Committee
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Completion of Whole of Government Accounts audit procedures	Management and EY to work together to complete any outstanding work	EY and management
Review of Assurance letter from auditor of Leicestershire County Pension Fund	Receipt of letter from assurance letter from Pension Fund Auditor, expected early September	EY and management

Appendix D – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 1 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 25 August 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 1 March 2016.

Appendix E – Auditor fees

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

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £	Variation comments
Total Audit Fee – Code work	49,410	49,410	None noted
Certification of claims and returns	TBC	14,850	Work to be completed
Non-audit work	n/a	n/a	n/a

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

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

Appendix F – Draft audit report

Independent auditor's report to the members of Hinckley and Bosworth Borough Council

Opinion on the Authority's financial statements

We have audited the financial statements of Hinckley and Bosworth Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council Movement in Reserves Statement,
- Council Comprehensive Income and Expenditure Statement,
- Council Balance Sheet,
- Council Cash Flow Statement,
- Housing Revenue Account Income and Expenditure Statement,
- Movement on the Housing Revenue Account Statement,
- Collection Fund and
- the related notes

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Hinckley and Bosworth Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Interim Head of Finance and auditor

As explained more fully in the Statement of the Interim Head of Finance Responsibilities set out on page 21, the Interim Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Interim Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Hinckley and Bosworth Borough Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Hinckley and Bosworth Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Hinckley and Bosworth had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Hinckley and Bosworth Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Hinckley and Bosworth Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Hinckley and Bosworth Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Hinckley and Bosworth Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Stephen Clark
for and on behalf of Ernst & Young LLP, Appointed Auditor
Birmingham

Appendix G – Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the financial statements of Hinckley and Bosworth Borough Council ("the Council") for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Hinckley and Bosworth Borough Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
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 2015/16. 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 Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

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:

- 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 [add the full title of the relevant committees] (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date: [list date].

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 Note [X] to the financial statements all guarantees that we have given to third parties.

F. Subsequent Events

1. Other than..... described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Yours faithfully,

(Chief Financial Officer/Finance Director)

(Chairman of the Audit Committee)

Appendix H – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Hinckley and Bosworth Borough Councils ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have not matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management’s refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	<p>We have received all requested confirmations.</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>We have not identified any material instances of non-compliance with laws and regulations.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan and Audit Results Report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Annual Audit Letter/Audit Results Report</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan Audit Results Report Annual Audit Letter</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Certification Report</p>

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