

Hinckley and Bosworth Borough Council

Report to those charged with governance

Report to the Finance, Audit and Performance Committee on the
audit for the year ended 31 March 2014 (*ISA (UK&I) 260*)

Government and
Public Sector

15 September 2014

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.

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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 plan to you in March 2014; 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 by 30 September 2014.

The key outstanding matters, where our work has commenced but is not yet finalised, are:

- review of the revised Statement of Accounts;
- approval of the Statement of Accounts and letters of representation after approval by the Council;
- completion procedures including subsequent events review.

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 the 15 September 2014. Attending the meeting from PwC will be Alison Breadon.

Audit approach

Our audit approach was set in our audit plan which we presented to you in March 2014.

We have summarised below the significant risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

Risk	Categorisation	Audit approach	Results of work performed
<p data-bbox="607 555 869 608">Management override of controls</p> <p data-bbox="913 555 958 595">▶</p> <p data-bbox="607 675 887 1018">ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p data-bbox="965 555 1093 579">Significant</p> <p data-bbox="965 592 994 616">●</p>	<p data-bbox="1189 555 1697 663">We considered those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p data-bbox="1189 675 1514 699">We performed procedures to:</p> <ul data-bbox="1189 711 1711 1118" style="list-style-type: none"> -review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; - test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported year-end position; - review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable; - evaluate the business rationale underlying significant transactions outside the normal course of business; and <p data-bbox="1189 1126 1630 1177">We performed unpredictable procedures targeted on fraud risks.</p>	<p data-bbox="1733 555 2101 639">No instances of management override of controls were identified as a result of our work.</p>

Risk	Categorisation	Audit approach	Results of work performed
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in local government because the opportunities to perpetrate fraud, which the ISA considers are usually present in relation to revenue, are equally likely to present themselves through manipulation of expenditure in the public sector.</p>	<p>Significant</p> <p>●</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> we understood, evaluated and tested key income and expenditure controls; we evaluated the accounting policies for income and expenditure recognition to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting; we tested the appropriateness of journal entries and other adjustments; we reviewed accounting estimates for income and expenditure, for example, provisions; we performed cut-off tests at year-end and after date cash testing to ensure items have been recorded in the appropriate period; and we performed unrecorded liabilities testing. 	<p>One misstatement below our de minimis reporting threshold was identified as part of these procedures. The nature of the misstatement was investigated and found to be an isolated error and not fraudulent in nature.</p> <p>No other misstatements were noted as a result of these procedures.</p>

Intelligent scoping

In our audit plan presented to you in March 2014 we reported our planned overall materiality which we used in planning the overall audit strategy. Our materiality was updated on receipt of the draft accounts but this did not impact on our audit approach. Our revised materiality levels were as follows:

	£
Overall materiality	887,140
Clearly trivial reporting de minimis	25,000

Overall materiality was set at 2% of gross expenditure (net cost of services) for the year ended 31 March 2014.

Auditing standards require that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Finance, Audit and Performance Committee at its meeting in March 2014.

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 outstanding matters set out on page 1.




Once these matters are satisfactorily completed, 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.

Audit scorecard

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

Key

-  **Red** – significant improvements required
-  **Amber** – some improvements required
-  **Green** – no or some minor improvements required

	2012/ 2013	2013/ 2014	Comments
Quality of accounts and working papers			The Council prepared its accounts on a timely basis and a first draft of the accounts was available at the start of the audit. Our audit identified no significant issues with respect to the quality of the draft accounts presented for audit. One minor area for improvement noted was the incorporation of the changes to the pension's accounting standard. Working papers were available for audit on time and were of a good standard.
Readiness for start of audit and availability and responsiveness of staff			Key staff were available during the audit to address any audit queries and the Finance Team responded positively to any audit questions and requests for information.

Significant audit and accounting issues



Our audit identified no significant issues. A small number of audit and accounting matters arose during our work. These are explained in detail later in this report.

Deficiencies in internal control systems



We have not identified any significant issues with respect to the effectiveness of the Council's internal controls this year.

Value for Money conclusion



Based upon the work that we have completed to date we expect to be able to conclude positively on the two criteria we are required to assess and give an unqualified conclusion on the Council's use of resources.

Accounting Issues

Pensions liability

One of the most significant estimates in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Local Government Pension Scheme. Your net pension liability at 31 March 2014 was £31.142 million (2013 - £25.187 million).

We utilised the work of our actuarial experts to assess the reasonableness of the assumptions underlying the pension

Hinckley and Bosworth Borough Council

liability, and we are comfortable that the assumptions are within an acceptable range.

We also validated the data supplied to the pension fund's actuary on which to base their calculations.

Changes to IAS 19: Employee Benefits

There have been changes to the disclosure and accounting for defined benefit schemes in 2013/14. We noted that these changes were not fully reflected in the Authority's draft financial statements but will be updated in the revised set of accounts.

Misstatements and significant audit adjustments

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. We are pleased to report that management have agreed to correct all misstatements identified.

There were two misstatements and one audit adjustment above our de minimis reporting threshold which have been corrected by management. One of the two misstatements related to an invoice that had been billed at an incorrect amount and subsequently corrected and the other an internal recharge that had been accounted for incorrectly. Both misstatements had no impact on the General Fund or Housing Revenue Account. The audit adjustment related to the estimate for the business rates appeals provision which is discussed in the *Judgments and accounting estimates* section below.

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 Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. In addition to the pension liability discussed above, the following significant judgements and accounting estimates were used in the preparation of the financial statements:

Business rates appeals provision

As a result of the changes to Business Rates regulations, the Authority is now required to make provisions for the cost of refunding ratepayers who successfully appeal against the rateable value of their property. A provision of £256,000 relating to 129 appeals was estimated as at 31 March 2014 and included in the draft accounts.

To arrive at this estimate, the Council purchased software called Analyse LOCAL (developed by Inform CPI Ltd) which has been used by a large number of local authorities to assist in the estimation of the likely outcome for each outstanding appeal as at the 31 March 2014. The software uses up to date outstanding appeals information from the Valuation Office Agency and based on the type of appeal, geographical location and other relevant factors produces an outcome analysis for each appeal.

Their analysis includes whether an appeal is likely to be withdrawn, when an appeal is likely to be settled and an estimate for the potential reduction in rateable value along with the corresponding liability.

Two key judgements were exercised by the Authority in determining its provision:

- 1) appeals that have been assessed by Analyse LOCAL as *likely to be withdrawn* have not been provided for, and
- 2) appeals that have been assessed by Analyse LOCAL as *likely to be settled after the 1 April 2015* have been considered as likely dismissals and have not been provided for.

If these two judgements were incorrect, this would result in an increase in the liability by £260,000. Although this is a significant amount, it would not result in a material misstatement.

We assessed the reasonableness of these judgements by analysing appeals history over the past 10 years as well as the outcome of appeals since the 31 March 2014. It was identified that just over 67% of all appeals lodged by business ratepayers in Hinckley and Bosworth were withdrawn or dismissed since 2005, indicating a high withdrawal/dismissal rate. In addition, of the 51 outstanding appeals at the 31 March 2014 assessed by Analyse LOCAL as *likely to be settled after the 1 April 2015*, 19 have since been withdrawn or dismissed (38%) compared to only 3 withdrawals out of 79 appeals (4%) assessed as *likely to be settled before the 1 April 2015*, indicating a higher rate of withdrawal among the former group of appeals. Based on this outcome analysis, the judgements taken by the Authority are considered reasonable.

We asked that the Authority keep under review the outcome of outstanding appeals as well as the impact of any new appeals lodged since the year end relating to business rates for 2013/14 as well as previous financial years. To take these changes into account, a new Analyse LOCAL report was run based on the most up to date Valuation Office Agency information (which runs up to the 30 June 2014).

This report generated a revised provision estimate of £170,000 (using the same judgements discussed above). In addition, 7 appeals have been settled since 31 March 2014 with a total liability of £45,000 giving a total revised provision of £215,000. Given this more up to date information, management have agreed to adjust the accounts

accordingly. This adjustment is not the correction of an error but an adjustment to take into account new information about the outcome of appeals since the draft accounts were prepared.

It is highly probable that further appeals will be lodged relating to previous financial periods. However, without an appeal actually being lodged, the Authority has taken the view that a reliable estimate cannot be determined without knowing the number and type of appeals. Instead, a contingent liability has been disclosed.

According to the provisions accounting standard, it is only in rare circumstances that a reliable estimate cannot be formed. This has led to ongoing discussions with CIPFA as to the expected approach which is yet to be concluded upon. We expect a decision to be reached shortly. We will report the outcome at the Finance, Audit and Performance Committee on the 15 September. This could mean that the Authority will be asked to remove the contingent liability disclosure and estimate a provision for appeals not yet lodged.

Valuation of property, plant and equipment (PPE)

In accordance with your accounting policies to ensure that the carrying value of property, plant and equipment reflects its fair value, your housing stock and other land and buildings are revalued on an annual basis as at the 31 March. This involves reliance on an external valuer who has estimated the value of the Authority's housing stock using beacon principles and other land and buildings in accordance with the CIPFA Code.

Judgements applied are in the main determined by the valuation expert. To assess these, we used information from Gerald Eve (chartered surveyors and property management consultants) who produce a report every year for the Audit Commission that includes trends in land prices and building cost indices in order to aid auditors in assessing the reasonableness of the assumptions used by valuation experts. We also tested that the base data used in the valuation was appropriate by vouching to supporting documentation.

We did not identify any matters to report arising from our work performed.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 1.

In addition to standard representations we will ask management to make specific representations on the business rates appeals provision, the use of the work of experts, the application of accounting policies to grant funding and the accounting for the Leicestershire Revenues and Benefits Partnership.

Related Parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We verified related party relationships and transactions disclosed to declaration of interest forms, and to the General Ledger. We also compared related parties disclosed on the Authority's website to a full list of suppliers for 2013/14, to verify there were no undisclosed related party transactions. Furthermore, completeness checks were carried out to ensure no undisclosed related parties existed.

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.

Relationships between PwC and the Authority

We are not aware of any relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

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.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff in senior positions who had been directly involved in the external audit of the Authority being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm’s internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

In addition to the audit of the Statement of Accounts, PwC has also undertaken other work for the Authority during the 2013/14 financial year amounting to a total value of £9,800. Details of this work were set out in Appendix A of our Audit Plan presented to you in March 2014.

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2014 is included on page 14. In relation to the non-audit services provided, none included contingent fee arrangements.

Services to Directors and Senior Management

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

Rotation

It is the Audit Commission's policy that engagement leaders 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 engagement leaders 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 that we comply with the Audit Commission’s rules on rotation.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Executive, 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 Finance, Audit and Performance 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 determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. See the section *Targeted audit work* below (pages 9 to 11) for details on the results of work performed.

We have completed our work and we expect to issue an unqualified value for money conclusion.

Targeted audit work

In our planning risk assessment we identified the following areas for detailed review:

Meeting the financial challenge

All local government organisations are faced with increased challenges in their medium term financial outlook, primarily driven by marked reductions in funding both directly from central government and indirectly through a reduction in income from the County.

The Authority has a proven track record in recent years of reliably forecasting the scale of financial challenges, identifying strategies to address the challenges, including identifying significant savings plans, and implementing them successfully.

In 2013/14 the Authority reported a net under spend against budget. This resulted from a combination of expenditure savings and additional income. The main elements were

salary savings, additional income from development control, and legal costs recovered from revenues and benefits recovery action.

The Authority's 2013/14 to 2016/17 Medium Term Financial Strategy (MTFS) approved in May 2014 seeks to build upon its track record of developing and delivering a financial plan to secure the Authority's continuing financial resilience.

Unlike previous years, however, when only the 'worst case' scenario resulted in Authority balances falling below what has been previously agreed as an acceptable level, from 2015/16 the 'forecast' scenario results in Authority balances falling below this acceptable level. This has resulted in a need to identify additional savings and income targets that could be implemented to secure the 'best case' scenario in 2015/16 into 2016/17.

These savings and targets were set out in the MTFS and more recently updated in the budget setting paper (to be formally approved by the Executive on 17 September 2014). In addition to the identified savings and income targets totalling £1,001,000, an additional savings target of £369,900 is required. This is an increase from the MTFS' additional savings target of £76,900 due to the Authority's recent decision to phase the removal of New Homes Bonus to Parish Councils and to carry on providing funding to Parish Councils for the impact on their Council Tax base from the Localisation of Council Tax Support.

Although the Authority is faced with this savings challenge, the Authority has arrangements in place to address this through a robust budget setting process which includes measures to ensure planned savings are achieved including, for example, service reviews and the review of fees and charges. It is also noted by management that the forecasts include County Council cuts and restructure costs which are likely to be significantly less once plans are finalised.

In addition, one potential significant income stream under negotiation which has been prudently excluded from the MTFS is the retention of a percentage of the business rates

uplifts (estimated at over £14 million) that will be generated from the Enterprise Zone at MIRA Technology Park. The Authority is currently in negotiation with the Leicester and Leicestershire Local Enterprise Partnership (LLEP) to identify what element of this uplift will be retained by the Authority directly.

Housing Revenue Account (HRA)

The Authority approved a HRA investment strategy in July 2013 which included plans to expand the Authority's housing stock. It is planned that over the next three years, £7.5 million will be invested into Affordable Housing. In 2014/15 the focus will be on buying back formerly owned Council properties and development of housing on Council owned sites. In 2015/16 and 2016/17 the focus will be on building new homes. The provision of additional affordable housing will increase rental income to the HRA as well as generate New Homes Bonus (income to the General Fund).

Conclusion

Taking into account the Authority's past performance including its 2013/14 outturn against budget, prudence in assuming potential income streams, the HRA investment strategy and a robust budgetary process to identify additional savings, we have concluded that the Authority has proper arrangements in place to secure financial resilience.

Bus Station Redevelopment – the Crescent

The Crescent development is a key corporate priority for the Authority. It is expected to generate over 600 new jobs, provide retail, leisure and other facilities including an improved bus station and car parking site.

We reviewed the arrangements put in place by the Authority to monitor progress of the development. These include a joint project board that meets monthly with a standing agenda covering all key areas that would be expected, including development progress, legal matters, financial matters, lettings strategy, and communications. A well

designed risk register is used and is updated on a monthly basis incorporating a summary of mitigating actions taken against each risk.

The Authority will purchase Block C on completion of the development for £4.5 million. The Authority expects to realise a return on investment in Block C through projected rental income and business rates income as well as an estimated £1.2m of development profit. The return on investment is based on variables and assumptions which present a value for money risk to the Authority.

The Authority is managing these risks through lettings focused strategy meetings held every six weeks with letting agents. The aim is to secure 100% occupancy of Block C which will deliver both rental income and business rates into the future. A considerable amount of interest has already been received.

Leisure Centre

On 21 January 2014, the Authority appointed Places for People Leisure Management Ltd (formerly named DC Leisure) to build and run a new Leisure Centre at the former Council offices site.

Significant consultation was undertaken during the procurement process and an independent leisure expert advised on the selection process.

We reviewed the outputs of the consultation undertaken and selection process criteria and noted that an appropriate evaluation and selection basis was used to assess the bidders taking into account key aspects such as value for money and operational plans.

Arrangements to monitor construction of the Leisure Centre have been established with involvement of both Estates and Finance.

Recently it was identified by the building contractor that additional work will be required on the grounds which will add a further cost. This cost will be fully funded from reserves.

Despite the additional costs, value for money continues to be demonstrated, in particular, when taking into account the significant management fee income to be received over the next 20 years.

We acknowledge that a signed contract has not yet been finalised; however based on current arrangements discussed above we are able to conclude that the Authority have demonstrated value for money.

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.

We are pleased to report that there were no significant control deficiencies noted that we believe should be brought to your attention.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Finance, Audit and Performance Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

We note that several reports that have been submitted by management to the Finance, Audit and Performance Committee about fraud which have included a fraud risk assessment and a corporate fraud log. We are also aware that the Authority is forming part of a bid led by Leicester City Council to set up a Leicestershire wide corporate fraud team

Your views on fraud

In our audit plan presented to the Finance, Audit and Performance Committee in March 2014 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

At the same meeting we also presented and discussed the Audit Commission's fraud survey results for the Authority and earlier in the year, one of our counter fraud specialists held a half day fraud awareness workshop with managers at the Authority and reviewed your Anti-Fraud policy.

In presenting this report to you we ask for your confirmation that there have been no changes to your 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.

Conditions under which fraud may occur

Management or other employees have an incentive or are under pressure

Incentive / pressure



Opportunity

Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls

Rationalisation/attitude

Culture or environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act

Fees update

Fees update for 2013/14

We reported our fee proposals in our plan.

Our actual fees were in line with our proposals.

Our fees charged were therefore:

	2013/14 outturn	2013/14 fee proposal
Statement of Accounts including whole of government accounts and Value for Money conclusion	64,980	64,980

We planned to perform work which fell outside of the Code of Audit Practice requirements. Our proposed and actual fee for that work was £9,800.

Our fee for certification of grants and claims is yet to be finalised for 2013/14 and will be reported to the Finance, Audit and Performance Committee in February 2015 within the Certification Report to Management in relation to 2013/14 grants.

Appendices

Appendix 1: Letter of representation

[Entity letterhead]

PricewaterhouseCoopers LLP

Donington Court
Pegasus Business Park
Castle Donington
DE74 2UZ

Dear Sirs

Representation letter – Audit of Hinckley and Bosworth Borough Council’s (the Authority) Statement of Accounts for the year ended 31 March 2014

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2014 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the Service Reporting Code of Practice 2013/14.

I acknowledge my responsibilities as Deputy Chief Executive (Corporate Direction) for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the authority and 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 the Authority 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:

Statement of Accounts

- 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 2013/14 supported by the

Service Reporting Code of Practice 2013/14; in particular the Statement of Accounts give a true and fair view in accordance therewith.

- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.
- 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 Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 requires adjustment or disclosure have been adjusted or disclosed.

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 Statement of Accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the authority's particular circumstances.

Regional Growth Funding and Fuel Poverty & Green Deal Funding

I confirm that I have reviewed the Authority's accounting policy in relation to the accounting and presentation of the regional growth funds and fuel poverty and green deal funds received in year, and having regard to the possible alternative policies, the accounting policies selected in the preparation of the Statement of Accounts are appropriate to give a true and fair view.

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 Statement of Accounts may be materially misstated as a result of fraud.
- 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 Statement of Accounts.
- All information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- All known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing Statement of Accounts.

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 Statement of Accounts.

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 Statement of Accounts.

Related party transactions

I confirm that the attached appendix to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

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 2013/14.

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

Employee Benefits

I confirm that we have 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 statement of accounts, 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 statement of accounts 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 2013/14.

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 for 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.

Business rates appeals provision

Regarding business rates appeals, an accounting estimate that was recognised in the Statement of Accounts:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the Statement of Accounts.

Bank accounts

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

Subsequent events

Other than as described in the Statement of Accounts, there have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

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 Statement of Accounts.
- 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 Statement of Accounts.
- 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.

Using the work of experts

I agree with the findings of Sturgis, Snow and Astill, Hymans Robertson and Inform CPI Ltd experts in evaluating the value of property assets, the fair value of pension fund assets and liabilities and the business rates appeals provision respectively. I 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.

Accounting for Leicestershire Revenues and Benefits Partnership

I have disclosed to you all information concerning the Authority's accounting for the Leicestershire Revenues and Benefits Partnership ("the Partnership") in the Council's role as accountable body. I have determined that the remaining debit balance of £24,083 in the ledgers for the Partnership reflects the cash balance that is held within the Authority's bank account.

I acknowledge that at the end of 2013/14 the Partnership recorded a total under-spend of £68,028 for the three partner councils. I confirm that the Authority has agreed that the Partnership should retain the Authority's share of this under-spend and so this has not been recognised as a liability in the Authority's financial statements.

As minuted by the Authority at its Finance, Audit and Performance Committee meeting on 15 September 2014

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Deputy Chief Executive (Corporate Direction)

For and on behalf of Hinckley and Bosworth Borough Council

Date

Appendix 1 - Related parties and related party transactions

Related Party	Transactions
Central Government and other Local Authorities	Details provided within Note 31: Grant Income, Note 19: Short Term Receivables and Note 20: Short and Long Term Payables of the Statement of Accounts
Leicestershire County Council	£2.367m – income £50.449m - expenditure
Leicestershire Pension Fund	£1,381,480 - expenditure
Community Action, Hinckley and Bosworth	£32,020 - expenditure
Two family members of one Member of the Council	£778 - expenditure



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

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