



Reigate & Banstead
BOROUGH COUNCIL
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REPORT OF:	CORPORATE POLICY & GOVERNANCE MANAGER
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TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	23 OCTOBER 2014

WARD(S) AFFECTED:	ALL
SUBJECT:	EXTERNAL AUDITORS REPORT (ISA 260) 2013/14
RECOMMENDATION:	<p>The Committee is requested to note the report of the Council's External Auditors, KPMG, on the Council's Statement of Accounts for the financial year 2013/14.</p>
SUMMARY:	<p>To consider the External Auditors Report (ISA 260) on the Council's Statement of Accounts for the financial year 2013/14.</p>

BACKGROUND

1. The Executive noted the report of the External Auditors attached as **Annex 1** at its meeting on 18 September 2014.
2. The Committee is requested to note the findings of the External Auditor on the Council's Statement of Accounts for the financial year 2013/14, as set out in the attached report.
3. A copy of the Statement of Accounts was circulated to the Committee in September for their information.
4. For information the Auditors have now issued their unqualified Value for Money conclusion as referred to in the proposed audit opinion section of the report. Additionally it is confirmed that the draft management representation letter (as set out at Annex 2 of the report) was sent to the Auditors in response to their audit.

Background Papers: Executive 18 September 2014.



REPORT OF:	CHIEF FINANCE OFFICER
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TO:	EXECUTIVE
DATE:	18 SEPTEMBER 2014
EXECUTIVE MEMBER:	COUNCILLOR G KNIGHT

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	ALL

SUBJECT:	CONSIDERATION OF THE REPORT FROM THE EXTERNAL AUDITORS (ISA 260 REPORT)
RECOMMENDATIONS:	
<p>(i) That the report on the 2013/14 audit is noted;</p> <p>(ii) That the Management Representation Letter is agreed.</p>	
REASONS FOR RECOMMENDATIONS:	
<p>The Executive is responsible for corporate governance. How we utilise and account for resources is intrinsic to good governance.</p>	
EXECUTIVE SUMMARY:	
<p>The report from the Council's external auditors (KPMG) summarises the conclusions and significant issues arising from the audit of the 2013/14 Annual Financial Report. This report is appended as Annex 1.</p> <p>The agreement of the Management Representation Letter is part of the standard audit process. This letter is set out in Annex 2.</p>	

Executive has authority to approve the above recommendations.
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STATUTORY POWERS

1. The Council is required to produce an annual Statement of Accounts by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2011*.
2. The *International Standard on Auditing 260* ("ISA 260 - Communication of audit matters to those charged with governance") provides standards and guidance on the communication of audit matters between the auditor and those charged with governance.
3. Under the Council's Constitution this function has been delegated to the Executive.

ISSUES

4. The External Auditors are required to issue the Council with an ISA 260 report following the completion of the work they have done on auditing the Council's 2013/14 Statement of Accounts.
5. Their report is attached as Annex 1. Member's attention is drawn to the auditors conclusions set out in Section 2. In addition, no audit matters have been raised (recommendations) and all prior year recommendations have been implemented.

LEGAL IMPLICATIONS

6. There are no legal implications.

FINANCIAL IMPLICATIONS

7. There are no direct financial implications.

EQUALITIES IMPLICATIONS

8. There are no equalities implications.

CONSULTATION

9. The Executive Member for Finance was consulted during the preparation of this report.

POLICY FRAMEWORK

10. There are no policy issues to raise as part of this report.

Background papers: None.



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Report to those charged with governance (ISA 260) 2013/14

Reigate and Banstead Borough Council

3 SEPTEMBER 2014



Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tamas Wood, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 4448 330.

This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

Scope of this report

This report summarises the key findings arising from:

- our audit work at Reigate and Borough Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2013/14*, presented to you in March 2014, set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during April 2014 (interim audit) and July and August 2014 (year end audit).

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

We have also reviewed your progress in implementing prior recommendations which is detailed in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding. This is subject to completion of our final quality and review procedures.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The Authority made a small number of amendments, all of which were of a presentational nature. There was no impact on the General Fund and the Council's financial performance.
Accounts production and audit process	<p>The Authority has good processes in place for the production of the accounts and continues to produce good quality supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>For 2013/14 Council officers have amended the structure of the accounts in order to provide a more user-friendly presentation of the statutory financial statements. This has been achieved whilst retaining the required disclosures. The Authority has implemented all recommendations from our ISA 260 Report 2012/13.</p>
Control environment	<p>Our risk based approach was primarily focussed on completing substantive testing over balances included in the financial statements rather than testing the controls in place at the Authority.</p> <p>We used internal audit to inform us on the areas of the Authority's operations that were relevant to our work.</p>
Completion	<p>At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas:</p> <ul style="list-style-type: none"> • Receipt of balance confirmation letter from authority's bankers.; • Completion of final and analytical review checks on the revised financial statements and post balance sheet events review; and • Completing our work on the Whole of Government Accounts. <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
VFM conclusion and risk areas	<p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.</p>

We have identified no issues in the course of the audit of the audit that are considered to be material.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

Our Annual Governance Statement accords with our understanding.

Proposed audit opinion

Subject to completion of the matters referred to above, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Executive Committee on 18 September 2014.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements. We identified a small number of minor presentational points that have been adjusted by management.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have worked with officers throughout the year to discuss specific risk areas. The Authority has addressed all issues appropriately.

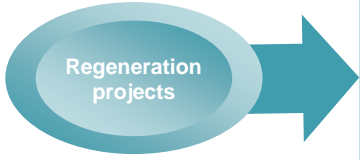
In our *External Audit Plan 2013/14*, presented to you in March, we identified the key risks affecting the Authority's 2013/14 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.


The table below documents our detailed findings for each of the risks that are specific to the Authority.

Additionally, we considered the risk of management override of controls which is a standard risk for all organisations.

Our controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual, did not identify any issues.

Area of audit focus	Issue	Findings
	<p>The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 has introduced a number of changes to the 2013/14 financial statements.</p> <p>There are revisions to the accounting for post-employment benefits required by amendments to IAS19 and changes to Collection Fund Accounting arrangements.</p>	<p>We used our disclosure checklist to compare the Authority's disclosures with CIPFA guidelines. We formed an understanding of the processes followed to make the revised entries to the financial statements and undertook substantive testing.</p> <p>We are satisfied the accounting position in each case has been appropriately disclosed and meets the requirements of the Code.</p>
	<p>As part of the Banstead Leisure Centre Development, the Authority is selling the Merland Rise Recreation Ground. This transaction takes place over an extended period which means the accounting treatment and relevant disclosures are more complex than for a straight forward property disposal.</p>	<p>We reviewed the Authority's accounting treatment over the sale agreement of part of the Merland Rise Recreation Ground and concluded it to be appropriately disclosed in the accounts as the receipt of a deposit, treated as a creditor. This is in line with accounting standards.</p>

Area of audit focus	Issue	Findings
	<p>There is an inherent risk around complex financial transactions for capital as a result of regeneration activities. A review of Executive Committee minutes and discussion with the Executive Team has identified a number of potential regeneration projects of this nature.</p>	<p>We considered significant and complex projects through review of key meeting minutes, discussions with management and review of capital transactions. The projects we reviewed included:</p> <ul style="list-style-type: none"> •Newman House – asset held for sale disposed of in May 2013. •Merland Rise – sale agreement in place and receipt in advance received disclosed as a creditor. •Warwick Quadrant – continues to be classified as an Investment Property and revalued in year on a market value basis. •Merstham sites - continues to be classified as an Investment Property and revalued in year on a market value basis. <p>Our work on the above regeneration projects confirmed that an appropriate valuation basis had been applied to each capital project, including in year revaluations to projects where required, and has been appropriately accounted for in accordance with the requirements of the Code. We will seek specific management representations on the progress of regeneration scheme developments.</p> <p>The Council expects to progress further the latter three developments in 2014/15. We will maintain a watching brief on these arrangements.</p>

Area of audit focus	Issue	Findings
	<p>During the year, the Local Government Pension Scheme for Surrey County Council (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to support this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Surrey County Council who administer the Pension Fund.</p>	<p>As part of our audit, we performed testing over the accuracy of the information provided to the scheme's actuary, liaising with the administering authority's auditor to seek the assurance required.</p> <p>We were able to verify that the pension costs, liabilities and disclosures under IAS19 have been appropriately reported in the accounts.</p>

Accounts production and audit process

We have noted an improvement in the quality of the accounts, which are more streamlined, and the supporting working papers.

Officers dealt speedily with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented all of the recommendations in our ISA 260 Report 2012/13.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	<p>The Authority has strengthened its financial reporting process through improved working papers.</p> <p>We consider that accounting practices are appropriate.</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts on 30 June 2014.</p>
Quality of supporting working papers	<p>Our <i>Accounts Audit Protocol</i>, which we issued on 26 March 2014 and discussed with the Principal Accountant, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided was high and met the standards specified in our <i>Accounts Audit Protocol</i>.</p>
Response to audit queries	<p>Officers dealt speedily with audit queries, enabling the audit to be completed within the agreed timescale.</p>

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last year's ISA 260 report.

We raised three low priority recommendations in our 2012/13 audit relating to:

- Ensuring that applicable conditions were met with grants received in advance;
- Updating the memorandum of understanding with Surrey County Council on Capital Grants; and
- Retaining year end audit evidence in respect of live systems.

We are pleased to report that these have all been implemented.

We have no further matters to raise in respect of 2013/14.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Reigate and Banstead Borough Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Reigate and Banstead Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Finance Manager for presentation to the Executive Committee.

We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;

- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority’s financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



Appendix 1: Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Executive Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG’s reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 1: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Reigate and Banstead Borough Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Reigate and Banstead Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.



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Tamas Wood
Partner
KPMG LLP (UK)
15 Canada Square
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18 September 2014

Dear Tamas

This representation letter is provided in connection with your audit of the financial statements of Reigate and Banstead Borough Council (“the Authority”) for the year ended 31 March 2014, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2014 and of the Authority’s expenditure and income for the year then ended;
- ii. whether the Pension Fund financial statements of the give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014 and the amount and disposition of the Fund’s assets and liabilities as at 31 March 2014, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Authority's at 31 March 2014 and of the Authority's expenditure and income for the year then ended;
 - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 Events after the reporting period requires adjustment or disclosure have been adjusted or disclosed, including progress on regeneration scheme developments.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is 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 the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - ii) The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or

- others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

The financial statements disclose all of the uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:

- statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- funded or unfunded; and
- approved or unapproved,
-

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Executive Committee on 18 September 2014.

Yours faithfully

Chair of Executive Committee

Chief Financial Officer