



**Audit Committee**  
**Monday, 30th July, 2018 at 5.00 pm**  
**in the Council Chamber, Town Hall, Saturday Market**  
**Place, King's Lynn PE30 5DQ**

**Reports marked to follow on the Agenda and/or Supplementary Documents**

1. **Statement of Accounts and External ISA 260 Report (Pages 2 - 43)**

Please be advised that the BCKLWN 2017/18 Audit Results Report is attached.

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# **Borough Council of King's Lynn & West Norfolk**

## **Audit Results report**

Year ended 31 March 2018  
20 July 2018

20 July 2018



Dear Audit Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to the audit of Borough Council of King's Lynn & West Norfolk for 2017/18. We will issue our final report after the Borough Council of King's Lynn & West Norfolk meeting scheduled for 30 July 2018.

We have substantially completed our audit of the Borough Council of King's Lynn & West Norfolk (the Authority) for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting 30 July 2018.

Yours faithfully

*MARK HODGSON*

Associate Partner  
For and on behalf of Ernst & Young LLP  
Encl

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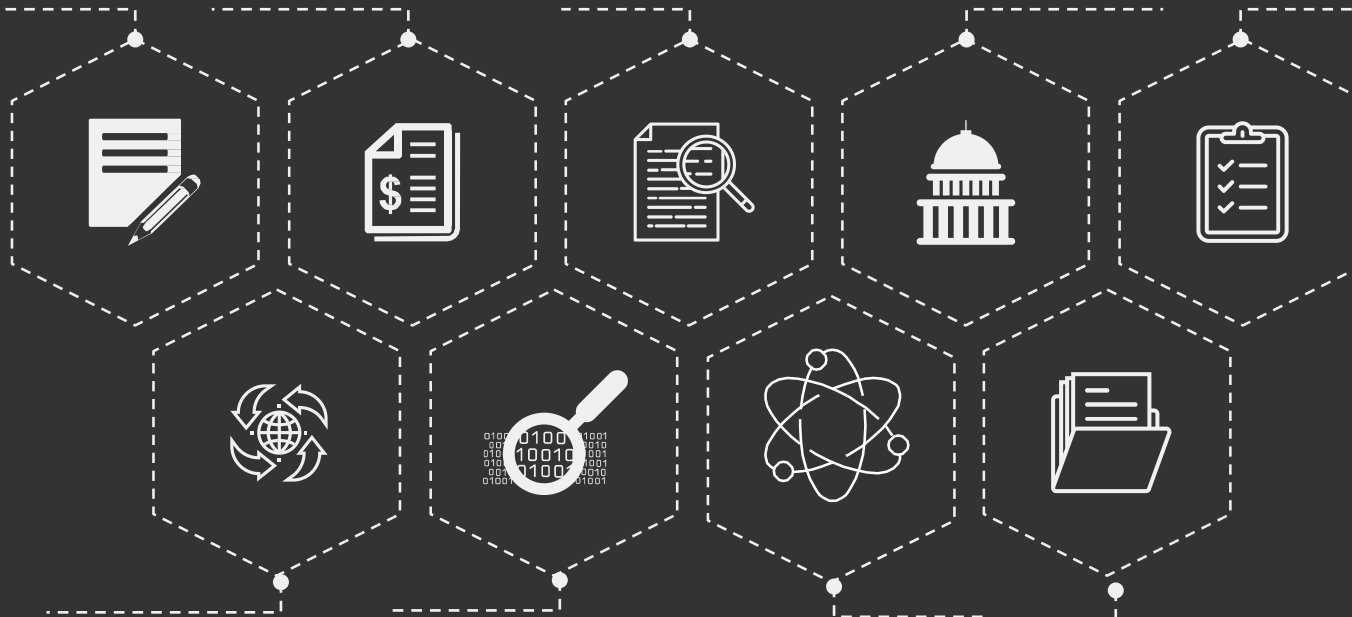
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities 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 (updated February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of the Borough Council of King's Lynn & West Norfolk in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of the Borough Council of King's Lynn & West Norfolk those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of the Borough Council of King's Lynn & West Norfolk for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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# 01 Executive Summary

# Executive Summary

## Scope update

In our audit planning report presented at the 12 February 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes in materiality: We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.74 million (Audit Plan – £1.68 million). This results in updated performance materiality, at 75% of overall materiality, of £1.3 million, and an updated threshold for reporting misstatements of £0.087 million.

## Status of the audit

We have substantially completed our audit of Borough Council of King's Lynn & West Norfolk's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3:

- ▶ Completion of cash flow consistency checks;
- ▶ Completion of journals testing;
- ▶ Testing of major housing project;
- ▶ Expenditure and creditor sample testing;
- ▶ A few outstanding third party confirmations for investments and loans;
- ▶ Reserves testing;
- ▶ Final review procedures;
- ▶ Finalisation of value for money work;
- ▶ Receipt and review of a revised set of statements incorporating audit adjustments; and
- ▶ Receipt of the signed management representation letter (see Appendix B)

We expect to issue the audit certificate at the same time as the audit opinion.

# Executive Summary

## Audit differences

### Unadjusted differences

There are no unadjusted audit differences.

### Adjusted differences

We have identified seven audit differences during the audit above our reporting threshold, which have been adjusted by Management within the revised financial statements.

The most significant difference related to the Authority's share of Pension Fund Assets. Updated information became available during our audit, which led to an increase in the Authority's share of Pension Fund assets by £1.258 million. There were a number of other pension fund disclosures impacted by this amendment. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements.

↙ We also identified a number of audit disclosure differences within the draft financial statements, which have been adjusted by management.

Further details are provided in Section 4. We acknowledge that this is the first year of faster close and the Authority did achieve the 31 May statutory deadline for the publication of the draft financial statements.

## Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the Borough Council of King's Lynn & West Norfolk's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.



# Executive Summary

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## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

In our Audit Plan we did not identify any significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority.

We have no matters to report as a result of this work.

We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the Authority falls below the £500 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

## Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.





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## Areas of Audit Focus



## Areas of Audit Focus

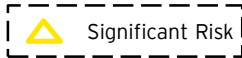
# Significant risk

### Risk of Management Override of Control

#### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.



#### What judgements are we focused on?

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

We are also required to identify specific additional risks of management override. The specific additional risk identified is with regards to manipulation of year-end accounting entries. Estimation techniques is an area subject to management override of controls which includes non-routine income and expenditure accruals and provisions for example the Non Domestic Rates (NDR) appeals provision.

#### What did we do?

We performed mandatory procedures, including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewing accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions.

#### What are our conclusions?

We are yet to complete our journals work on management override.

Our testing to date has not identified any material misstatements from management override or material issues or unusual transactions to indicate any misreporting of the Authority's financial position.



## Areas of Audit Focus

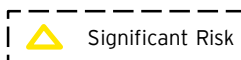
# Significant risk

### Risk of Fraud in Revenue and Expenditure Recognition

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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.

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Authority's Capital programme.



#### What judgements are we focused on?

We focused on:

- ▶ Understanding the controls put in place by management relevant to this significant risk.
- ▶ Considering whether or not purchase invoices were being inappropriately classified as capital.
- ▶ Whether management were inappropriately processing journals that transferred amounts from revenue to capital.

#### What did we do?

- ▶ Documented our understanding of the controls relevant to this significant risk and confirmed they have been appropriately designed;
- ▶ Reviewed and discussed with management any accounting estimates and policies on revenue or expenditure recognition for evidence of bias;
- ▶ Obtained breakdown of capital additions in the year and reviewed the descriptions to identify any items that could be revenue in nature;
- ▶ Reviewed and tested revenue cut-off at the year-end date; and
- ▶ Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes.

#### What are our conclusions?

Our testing did not identify any material misstatements from revenue and expenditure recognition. We judged all capital additions to be appropriately supported.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.



## Areas of Audit Focus

# Other areas of audit focus – Valuation of Land and Buildings

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Valuation of Land and Buildings</b></p> <p>Property, Plant and Equipment represents a significant balance in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.</p> <p>The Authority will be using its internal expert for 2017/18, to value the Authority's asset base, who will apply a number of complex assumptions and assess the Authority's assets to identify whether there is any indication of impairment and changes to their useful life.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▶ Considered the reliance placed on management's valuation experts and undertook a review of the internal valuer's work. This included comparison to industry valuation trends;</li> <li>▶ Considered the annual cycle of valuations to ensure that assets had been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there were any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>▶ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated by using market indices to assess movements from last revaluation dates; and</li> <li>▶ Tested the accounting treatment of valuations made in the year, including the assessment and treatment of impairments.</li> </ul>	<p>We are yet to complete our work on the valuation element of Property, Plant &amp; Equipment.</p> <p>We have not identified any material misstatements from the work undertaken to date.</p> <p>We will update the Audit Committee on the outcomes from the work.</p>



# Areas of Audit Focus

## Other areas of audit focus - Pension Fund Liability

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Pension Liability Valuation</b></p> <p>The Local Authority Accounting Code of Practice (the code) and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▶ Liaised with the auditors of Norfolk Pension Fund, and obtain assurances over the information supplied to the actuary in relation to the Borough Council of King's Lynn &amp; West Norfolk;</li> <li>▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and</li> <li>▶ Reviewed and tested the accounting entries and disclosures made within the Borough Council of King's Lynn &amp; West Norfolk's financial statements in relation to IAS19.</li> </ul>	<p>We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required.</p> <p>A movement on the total fund asset between the estimated year end balance and the actual was identified by the pension fund auditor. The impact of this was an understatement of the Authority's pension assets by £1.258 million. This amount is above our summary of audit differences level and has been adjusted in the accounts. See Section 4 for the adjustments.</p> <p>We have not identified any issues with the accounting entries and disclosures made within the financial statements.</p>



## Areas of Audit Focus

### Other areas of audit focus - Major Housing Project

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Major Housing Project</b></p> <p>The Authority has sold the first of the properties as part of the Major Housing Project during the period. Sales in 2017/18 are expected to be material. Early discussions with finance officers suggest that the accounting treatment for the sales has not been finalised. As a result there is a risk that the financial statements could be materially misstated at year-end.</p>	<p>We have:</p> <ul style="list-style-type: none"><li>▶ Reviewed the contractual arrangements of the Major Housing Project;</li><li>▶ Checked a sample of property sales to ensure they are been valued correctly;</li><li>▶ Reviewed the accounting treatment proposed by the Authority and ensured this is compliant with the relevant accounting standards and Code of Practice; and</li><li>▶ Ensured the accounting entries are correctly reflected in the financial statements.</li></ul>	<p>We are yet to complete our work on the Major Housing Project.</p> <p>We have not identified any material misstatements from the work undertaken to date.</p> <p>We will update the Audit Committee on the outcomes from the work.</p>



# 03 Audit Report



# Audit Report

## Our proposed opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

#### Opinion

We have audited the financial statements of Borough Council of King's Lynn & West Norfolk for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014.

The financial statements comprise the Authority and Group Movement in Reserves Statement, Authority and Group Comprehensive Income and Expenditure Statement, Authority and Group Balance Sheet, Authority and Group Cash Flow Statement, the related notes 1 to 37 to the Authority Accounts and notes G1 to G7 to the Group Accounts, and the Collection Fund and the related notes C1 to C3.

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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Borough Council of King's Lynn & West Norfolk and Group as at 31 March 2018 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 2017/18.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.





# Audit Report - continued

## Our proposed opinion on the financial statements

### Other information

The other information comprises the information included in the Narrative Report set out on pages 3 to 30, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Borough Council of King's Lynn & West Norfolk put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### 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.



# Audit Report - continued

## Our proposed opinion on the financial statements

### Responsibility of the Director of Finance

As explained more fully in the "Statement of Responsibilities" set out on page 2, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Authority 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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 for the audit of the financial statements

18 Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### 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 2017, as to whether the Borough Council of King's Lynn & West Norfolk 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 Borough Council of King's Lynn & West Norfolk put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.



# Audit Report - continued

## Our proposed opinion on the financial statements

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, Borough Council of King's Lynn & West Norfolk had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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.

### Certificate

We certify that we have completed the audit of the accounts of Borough Council of King's Lynn & West Norfolk 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.

### Use of our report

This report is made solely to the members of Borough Council of King's Lynn & West Norfolk, 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



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# 04 Audit Differences





# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We have included all known amounts greater than £0.087 million relating to Borough Council of King’s Lynn & West Norfolk in our summary of misstatements. We highlight the following misstatements in the financial statements identified during the audit. These have been corrected by management:

### 1. Incorrect recognition of a receivable balance

A receivable balance of £0.721 million was incorrectly recognised in the Balance Sheet as the cash had been receipted before year-end. The has been correctly amended by the Authority by reclassifying the amount to cash and cash equivalents in the balance sheet.

### 2. Pension Adjustments

The Authority is an admitted body within the Norfolk Pension Fund. The Authority is reliant upon the Pension Fund’s Actuary to provide it with the relevant information in relation to the Authority’s share of assets and liabilities of the Pension Fund (through an IAS19 report) for inclusion within its financial statements.

The Actuary, within its IAS19 report (dated April 2018) estimated the Pension Fund asset value as at the 31 March 2018 and the Authority used the estimated figure within its draft financial statements. Our audit procedures focus on securing appropriate assurances from the Norfolk Pension Fund auditor. These procedures, identified that the actual asset valuation at the 31 March 2018 was £50.7 million greater than the Actuary’s estimate. The Authority’s share of this increase is £1.258 million.

Given that the difference is approaching our materiality level (£1.3 million) we asked the Authority to liaise with the Pension Fund Actuary given the impact on the Authority’s financial statements. The Pension Fund Actuary has, in light of the significance of the identified difference in asset valuations at an admitted body level, updated the IAS 19 report that it provided to the Authority, taking into account the actual year end asset valuations. The Actuary also updated the IAS 19 report in relation to the impact of the asset valuation change on other figures reported by the Authority. The Authority has adjusted the revised financial statements using the revised figures from the updated IAS 19 report, an actual movement of the Authority’s share of the assets of £1.258 million. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements.

### 3. Incorrect recognition of a long term debtor

The Authority had included a long term debtor in the Balance Sheet of £0.138 million for an organisation that had entered administration. It was decided that recovery of this receivable was unlikely and that the amount should be written off. This amount was written out through the comprehensive income and expenditure statement.



## Audit Differences (continued)

### Summary of adjusted differences

#### 4. Double counting of investment property asset

Our testing of investment properties identified an asset valued at £0.161 million which had been double counted in the Balance Sheet. The Authority correctly removed the item from the investment property balance.

#### 5. Property, plant and equipment reclassification

During the audit the Authority identified an asset which had been incorrectly classified as land and building, when it was being held for sale. The value of £0.610 million was correctly reclassified as an asset held for sale.

#### 6. Misclassification of Norfolk and Waveney Enterprise Services (NWES) loan

This balance should have been classified as a short term receivable instead of a short term investment. The classification issue has been amended by the Authority.

#### 7. Incorrect application of property, plant and equipment valuation

Our testing of the Property, plant and equipment valuations identified an asset which had been revalued to £0.800 million. The valuation was incorrectly processed to both land and buildings within the fixed asset register, instead of just land. This resulted in a £0.800 million overstatement of the property, plant and equipment balance.

#### 8. Disclosure Adjustments

We have also identified a number of disclosure adjustments during the audit that have been updated by management in the financial statements. We set the most significant of these out on the following page.



## Audit Differences (continued)

### Summary of adjusted differences

#### Disclosure Adjustments

We highlight the following misstatements in the disclosure notes identified during the audit. These have been corrected by management:

- Collection Fund: The Council Tax surplus brought forward in the collection was incorrect. The difference of £0.300 million was due to an error which had been corrected in the prior year but not accounted for in the 2017/18 draft statement of accounts. There was no bottom line impact on the collection fund.
- Collection Fund Disclosures: The share of Business Rates Payable for Norfolk County Council was incorrectly reported in the collection fund notes as £176.6 million instead of £17.6 million.
- Collection Fund Disclosures: The small business rates multiplier for 2017/18 was incorrectly disclosed as £0.464 instead of £0.466.
- Contents Page: The contents page was not up-to-date and did not include all of the notes in the draft financial statements.
- Grant Income: The capital grants credited to services note incorrectly disclosed a Department of Work and Pensions (DWP) balance of £0.714 million. This balance is income from DWP and not a grant. The Authority has correctly removed this balance from the grants note. There is no impact on the comprehensive income and expenditure.
- Material Item of Income and Expenditure 2017/2018: This disclosure note did not include the material item of housing benefit income and expenditure.
- Leases: In the Authority as lessee finance lease note there was a depreciation figure of £0.011 million which had been incorrectly added to the balance instead of subtracted from the balance.
- Investment Property: Investment properties fair value hierarchy was missing the disclosure narrative "significant, leading to the properties being categorised at level 2 in the fair value hierarchy". This was included in Authority working paper but not transferred to draft statement of accounts.
- Related Party Transactions: We identified a number of potential related party organisations that Members had failed to declare on their related party declarations. This resulted in an increase in the disclosure amounts in the statement of accounts.
- Capital Commitments: The capital commitments note in the draft statement of accounts was not the correct version. This note has been corrected to show £51 million contractual commitments (instead of £46 million) and £1.1 million for non contractual commitments instead of £0.6 million.

**Recommendation** - The Authority should ensure that it has a robust quality review process in place prior to the authorisation of the draft financial statements ahead of the statutory deadline.



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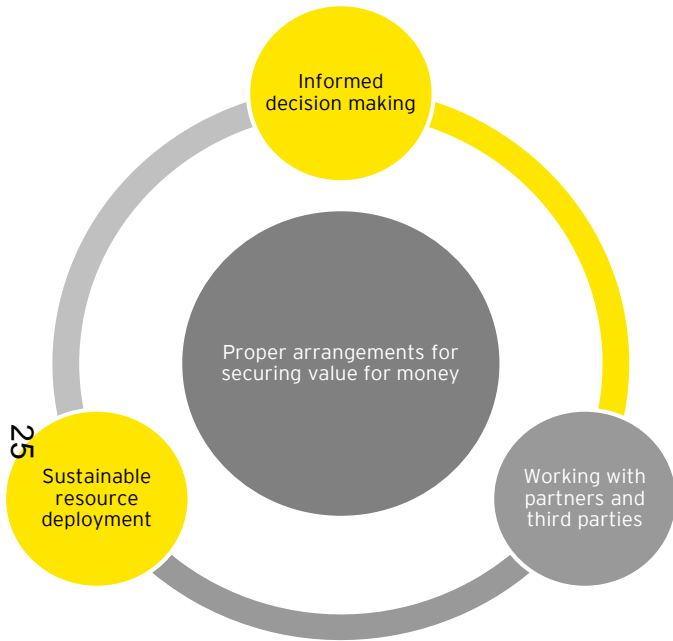
## Value for Money Risks







# Value for Money



## Background

We are required to consider whether the Authority 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.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

## Financial Resilience and Assessment of the Authority's Reserve Position

As part of our assessment of your proper arrangements, we considered the Authority's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2018 and at the 31 March 2021.

Our assessment of this is set out on the next page.

## Overall conclusion

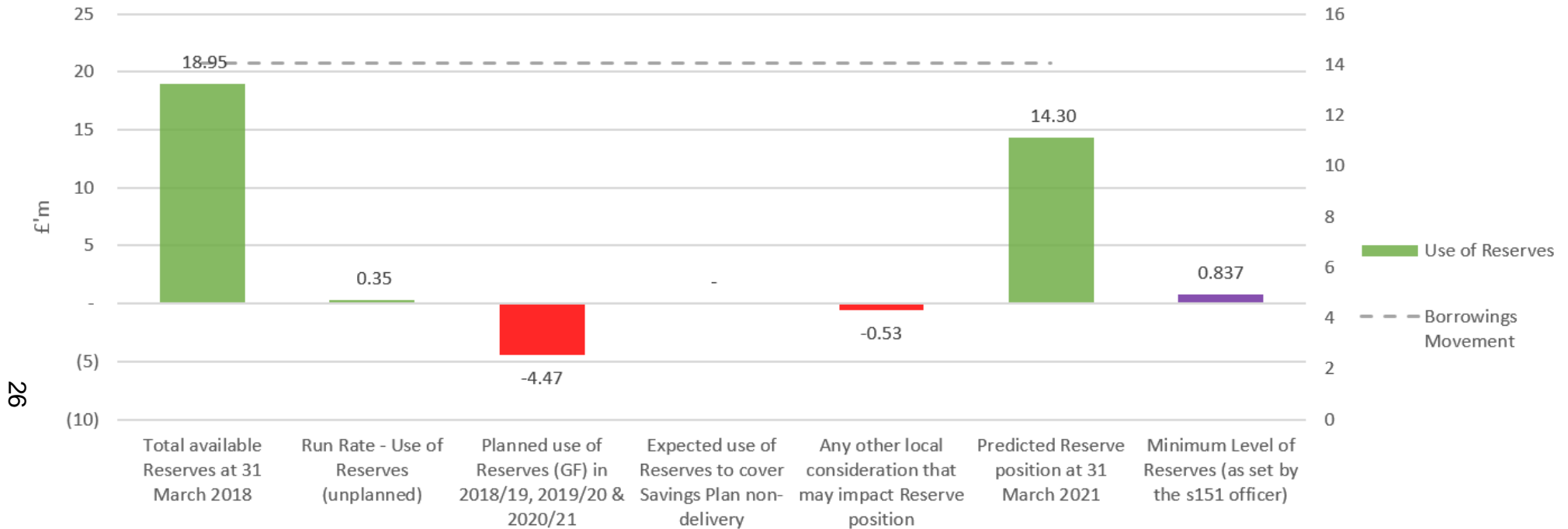
We are still concluding our work on value for money. To date we have not identified any significant risks around these criteria.

We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



# Value for Money

## Assessment of Reserves Position to 2021



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### Our Assessment

In our assessment we considered:

- ▶ the Authority's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- ▶ the Authority's planned use of reserves to support the General Fund budget in each of the next 3 years;
- ▶ the Authority's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- ▶ the Authority's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- ▶ reliance upon New Homes Bonus income which has not been confirmed post 2018/19, upon which the MTFS is reliant.

The Authority has no plans to increase borrowing over the same time frame.

As a result of our assessment, we are satisfied that the Authority's General Fund reserve balance at the 31 March 2021 will remain above the Authority's approved minimum level.



# 06 Other reporting issues



## Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement. We identified that the wording of the Head of Internal Audit Opinion had not been disclosed completely, as required. Management have updated the Annual Governance Statement for this.

We can confirm it is consistent with other information from our audit of the financial statements. We have no other matters to report.

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### 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, is specified by the National Audit Office.

As the Authority falls below the £500 million threshold for review as per the NAO's group instructions, we are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations
- ▶ Group Accounts.

We have no matters to report.



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# Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Borough Council of King's Lynn & West Norfolk 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 Borough Council of King's Lynn & West Norfolk has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



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Independence



## Independence

### Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 12 February 2018.

We complied with the FRC Ethical Standards and the requirements of the 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 consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 30 July 2018.

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### Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

# Independence

## Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have been provided on a contingent fee basis. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Final Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
£	£'s	£'s	£'s
Total Audit Fee - Code work	See Note 1	51,291	58,291
Grant Claims	See Note 2	18,556	22,000
Total Fees	-	69,847	80,291

### Note 1:

The Authority produces consolidated financial statements which in prior years have incurred a scale fee variation to reflect the additional work required for the consolidation including instructing and relying upon the component auditor and in reviewing the disclosures required to meet the group consolidation requirements of the Code of Practice and International Accounting Standards. This will incur an additional fee of £3,000. There is likely to be additional fees for the additional work performed on the Major Housing Project risk identified in Section 2 of this report.

We need to assess the impact of the audit adjustments and disclosure errors on the quantum of our audit work. This will lead to a variation to the Scale Fee being levied but we are at this stage, unable to quantify the quantum of that amount. This additional fee will be discussed with management and is then subject to approval by the PSAA.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.

### Note 2:

We have not commenced our work on the certification of the Authority's Housing Benefit submission. We will report the outcome of this work in our Certification Report.







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## Appendices



## Appendix A - Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:




 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 2 February 2018
36 Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 2 February 2018
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - 17 July 2018








## Appendix A - continued

		Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about the Borough Council of King's Lynn & West Norfolk's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - 30 July 2018
37		
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Committee - 30 July 2018
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Results Report - 30 July 2018

## Appendix A - continued

		 Our Reporting to you
Required communications	What is reported?	  When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit Results Report - 30 July 2018
38	<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, 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"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 2 February 2018</p> <p>Audit Results Report - 30 July 2018</p>
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	We are still awaiting some of our year-end external confirmations for investments and borrowings.
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ 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</li> </ul>	Audit Results Report - 30 July 2018
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - 30 July 2018

## Appendix A - continued

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 30 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 30 July 2018
 Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 30 July 2018
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - 2 February 2018 Audit Results Report - 30 July 2018
Certification work	Summary of certification work undertaken	Annual Certification Report - Due December 2018.



# Appendix B – Request for a Management representation letter

## Request for a Management Representation Letter



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Lorraine Gore  
Assistant Director Chief Executive  
Borough Council of King's Lynn & West Norfolk  
Kings Court  
Chapel Street  
King's Lynn  
Norfolk  
PE30 1EX

17 July 2018

Ref:  
Your ref:  
Direct line: 01223 394547  
Email: M.Hodgson@uk.ey.com

Dear Lorraine,

### Borough Council of King's Lynn & West Norfolk – 2017/18 financial year Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

#### General statement

That the letter of representations is provided in connection with our audit of the consolidated and council financial statements of Borough Council of King's Lynn & West Norfolk ("the Group and Council") for the year ended 31 March 2018.

You recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the consolidated and council financial statements give a true and fair view of the Group and Council financial position of Borough Council of King's Lynn & West Norfolk as of 31 March 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC200301 and as a member firm of Ernst & Young Global Limited. A list of members names is available for inspection at 1 More London Place, London, EC2M 3BQ, the firm's principal place of business and registered office.



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You understand that the purpose of our audit of your consolidated and council financial statements is to express an opinion thereon and that our audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

#### A. Financial Statements and Financial Records

1. You have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. You acknowledge, as members of management of the Group and Council, your responsibility for the fair presentation of the consolidated and council financial statements. You believe the consolidated and council 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 Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. You have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, you believe that the Group and Council have 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 2017/18 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### B. Non-compliance with law and regulations, including fraud

1. You acknowledge that you are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.





# Appendix B – Request for a Management representation letter (continued)

## Request for a Management Representation Letter



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3. You have disclosed to us the results of your assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. You have disclosed to us, and provided us full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with law and regulations, including fraud, known to you that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistleblowers") including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
  - Access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that we have requested from you for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
3. You have made available to us all minutes of the meetings of the Council, and committees of the relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 30 July 2018.
4. You confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Group and Council's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions



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and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. You believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. You have disclosed to us, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### D. 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 consolidated and council financial statements.
2. You have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. You have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

### E. Subsequent Events

1. Other than described in the relevant note to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

### F. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.
3. You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

### G. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report and glossary of terms included in the Borough Council of King's Lynn & West Norfolk Statement of Accounts 2017-18.
2. You confirm that the content contained within the other information is consistent with the financial statements.



# Appendix B – Request for a Management representation letter (continued)

## Request for a Management Representation Letter

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### H. Going Concern

1. You have made us aware of any issues that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans

### I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

### J. Reserves

1. You have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

### K. Use of the Work of a Specialist – Property, plant and equipment

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Property Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### L. Valuation of Property, Plant and Equipment Assets

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.
5. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
6. You confirm that for assets carried at historic cost that no impairment is required



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### M. Retirement benefits

1. On the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

### N. Use of the Work of a Specialist – Pension Liabilities

2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### O. Valuation of Pension Liabilities

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (currently 31 July 2018) on formal headed paper.

Yours sincerely

Mark Hodgson  
Associate Partner  
Ernst & Young LLP  
United Kingdom

## EY | Assurance | Tax | Transactions | Advisory

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ED None

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