

Borough Council of King's Lynn & West Norfolk

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

19 August 2016

Ernst & Young LLP



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working world

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

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

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

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

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

1. Executive summary

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

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

Status of the audit	<p>We have substantially completed our audit of the financial statements of Borough Council of King's Lynn and West Norfolk for the year ended 2015/16.</p> <p>The following areas of our work programme remain to be completed as of the date of this report:</p> <ul style="list-style-type: none"> • completion of manager and director review procedures; • completion of subsequent events review and; • receipt of the signed management representation letter. <p>We have performed the procedures outlined in our Audit Plan and subject to satisfactory completion of the outstanding items above anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We have no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>We have identified one unadjusted audit difference within the draft financial statements, which management have chosen not to adjust.</p> <p>We request that this uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter or Representation.</p> <p>Appendix A to this report sets out the uncorrected misstatement. We do not consider these to be material to our audit opinion.</p> <p>Our audit identified a number of further audit differences which our team have highlighted to management for amendment. These have been corrected during the course of our work and further details are provided at Appendix B. These primarily relate to disclosure and presentational matters. These adjustments have not had an impact on useable reserves.</p>
Scope and materiality	<p>In our audit plan presented at the 23 February 2016 Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1.7 million. We have reassessed this based on the actual results for the financial year and there has been no change to the materiality level we have applied.</p>

Scope and materiality (Continued)	<p>The threshold for reporting audit differences which impact the financial statements has also not changed. The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:</p> <ul style="list-style-type: none">• Remuneration disclosures including any exit packages and termination benefits: Reduced materiality level of £5,000 is applied to our testing of disclosures for completeness and accuracy. This is in line with the bandings reported in the accounts;• Related party transactions: Reduced materiality level of £50,000 is applied to testing of disclosures for completeness and accuracy. We also carry out Companies House searches to identify whether any key decision-makers in the Council had undisclosed interests; and• Members allowances: review and test all transactions to supporting evidence. <p>We carried out our work in accordance with our Audit Plan.</p>
Significant audit risks	<p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none">• Non-current asset valuations;• Risk of fraud in revenue recognition; and• Risk of management override. <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.</p>
Other reporting issues	<p>We have no other matters we wish to report.</p>
Control observations	<p>We have adopted a fully substantive approach and have therefore not tested the operation of controls.</p>

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

Mark Hodgson
Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

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

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

Purpose of our work

Our audit was designed to:

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

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

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

3. Financial statements audit

Addressing audit risks

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

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

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Non-Current Assets</p> <p>Property, Plant and Equipment (PPE), and Investment properties represent the largest asset values on the Council's balance sheet. These assets are initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis. This is carried out by an internal valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment. The introduction of IFRS13 Fair Value Measurement in 2015/16 will impact on Investment Property accounting.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p> <p>Due to the nature, size and complexity of PPE and investment property accounting we consider this a significant risk.</p>	<ul style="list-style-type: none"> • Reliance on management's experts and review of the instructions given to that valuer. • Consideration of the accounting treatments and basis of valuation as required by the Code of Practice and the introduction of IFRS 13 Fair Value Measurement specifically for Investment Properties this year. • Test of detail if required • Test of the journals and derivation of accounting entries. • Review of disclosures made in the accounts in regard to Fair Value for PPE and investment properties to ensure they are in line with the Code. 	<ul style="list-style-type: none"> • We have gained sufficient assurance over the property, plant and equipment valuations and disclosures. • The PPE and Investment properties notes were not compliant with the new disclosures brought in by the code. • Officers have amended the financial statements to be compliant with the requirements of the Code. • We have no other matters to report.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>	<ul style="list-style-type: none"> • Review and test revenue and expenditure recognition policies • Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias • Develop a testing strategy to test material revenue and expenditure streams • Review and test revenue cut-off at the period end date • We will test the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure. 	<ul style="list-style-type: none"> • We have undertaken our review of accounting policies and discussed with management accounting estimates. We undertook substantive testing on income and expenditure streams testing the rationale of the transaction along with the value and did not identify any issues. • We have completed cut off testing on income and expenditure and have nothing to report in regards to income or expenditure being recorded recorded in the incorrect period. • Our testing on the capitalisation of expenditure has not identified any issues.
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> • 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. 	<p>Our audit work on journals and accounting estimates to date has not identified any evidence of management bias or significant unusual transactions. We did not identify any matters that we need to bring to your attention.</p>

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

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p>Pension Liability – IAS19</p> <p>The Council operates a defined benefits pension scheme. Accounting for this scheme involves significant estimation and judgement. The Pension liability is the largest value liability on the balance sheet. Due to the nature, volume and size of the transactions we consider this to be a risk.</p>	<ul style="list-style-type: none"> • Liaised with the auditors of the Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Borough Council of King's Lynn and West Norfolk; • Assessed the conclusions drawn on the work of the actuary by the Consulting Actuary commissioned by Public Sector Auditor Appointments, PwC; and • Reviewed and tested the accounting entries and disclosures made in relation to IAS19. 	<p>We have gained sufficient assurance over the pension valuations and disclosures.</p> <p>We have no matters to report.</p>
<p>Non-Domestic Rates Provision</p> <p>Councils need to provide for Business Rate appeals and will need to consider the following when estimating the provision under IAS 37.</p> <p>We found that the council had developed an appropriate methodology in previous years but this methodology needs to be reassessed to ensure that the assumptions made remain appropriate to prepare a reliable estimate.</p>	<ul style="list-style-type: none"> • Reviewed the detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice; and • Reviewed and tested the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37. • As part of this we will ensure the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts. 	<p>We have reviewed and tested the Council's provision for business rate appeals.</p> <p>The Council have not reflected a higher success percentage for GP surgery appeals as they had in previous years, where the appeal is still outstanding as at 31 March 2016</p> <p>We requested that management quantify the impact of this on the provision. If correctly reflected within the estimate, the provision for the collection fund should increase by £1.196 million. The Council's share of this at the 40% ratio is £0.478 million.</p> <p>Management have chosen not to amend the financial statements for this and it has been recorded in Appendix A.</p>
<p>BCKLWN Group Boundary</p> <p>During recent years the Council has entered into a number of arrangements with other entities regarding service delivery, most significantly:</p> <ul style="list-style-type: none"> • Nar Ouse Regeneration Agreement (NORA); and • Alive Leisure Trust (ALT); <p>It is therefore important that the Council continues to revisit on an annual basis its assessment of the group boundary.</p>	<ul style="list-style-type: none"> • Assessing where overall control lies with regard to the operation and delivery of services of the potential group entities. • Reviewing the group boundary assessment prepared by the Council • Ensuring that appropriate consolidation procedures are applied when consolidating relevant entities into the BCKLWN group accounts. 	<p>We have gained sufficient assurance over the group boundary and assessment prepared by the Council.</p> <p>We have reviewed the consolidation procedures and identified differences between the subsidiary, Alive Management Limited final accounts and the figures used in the preparation of the group accounts.</p> <p>The group accounts have been adjusted to reflect the final position of the subsidiary.</p>

Other matters

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

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

We wish to report the following matter:

Bank reconciliation

Last year we reported to you that our audit work in relation to bank reconciliations had identified an overstatement of cash of £1.041 million with corresponding understatement of debtors. We are aware that the Council has taken action during the year to improve the bank reconciliation process to ensure errors that occurred in the previous year do not reoccur.

However, the first two bank reconciliations provided to us as part of the audit were of a very complex nature and further work needed to be undertaken by the Council to provide us with a fully auditable bank reconciliation.

Recommendation - The Council need to continue to improve this process going forward and provide a full audit trail to support the reconciliation.

Control themes and observations

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

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

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.

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

Request for written representations

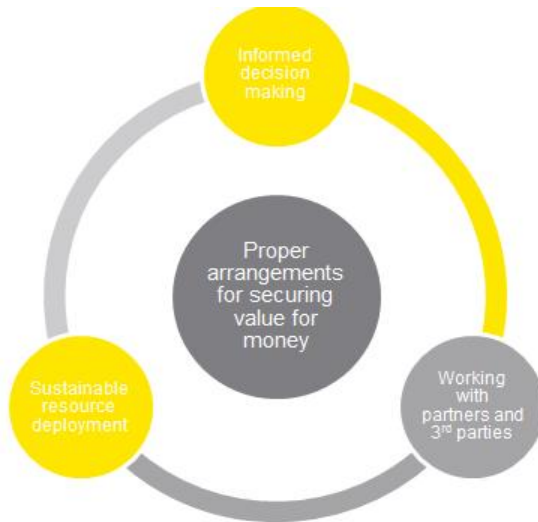
We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any specific representations in addition to the standard representations. Our request for a management representation letter is set out in Appendix E.

Whole of Government Accounts

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

The Authority falls below the £350 million threshold for a full review, so we have undertaken the limited procedures that are required. We have concluded our work in this area and have no matters to report to the Audit Committee.

4. Value for money



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

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

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

Overall conclusion

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

We have performed our planned procedures and we did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Appendix A – Uncorrected audit differences

The following differences, which are greater than £0.09 million, have been identified during the course of our audit and have not been considered material by management or by us for adjustments.

We are bringing them to the Committee's attention to enable you to form your own view on these items.

Balance sheet and Statement of comprehensive income and expenditure.

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
1. BS - Investment Property	497	
BS - Short term lease liability	(5)	
BS - Long term lease liability	(426)	
BS - Long term lease liability reserve	(61)	
CIES - Income from investment property		(5)
<p>This is the ongoing impact of the 2012/13 uncorrected misstatement relating to a 99 year lease which had been incorrectly treated as a full disposal in 2012/13.</p> <p>The correct treatment under IFRS in 2012/13 would have been to retain the asset within long term assets and create a creditor for the sale proceeds, releasing them evenly over the 99 year lease.</p>		
2. Business Rate Provision	478	478
<p>The Business Rate Appeals Provision is understated by £1.196 million due the Authority's calculation not considering a higher success rate for GP surgeries. The additional £1.196 million should be charged against the collection fund. The Authority's share is 40% which is £0.478 million.</p> <p>Charge would be reversed out to the collection fund adjustment account so no impact on the general fund.</p>		
Cumulative effect of unadjusted differences	473	473

Appendix B – Corrected audit differences

The following corrected differences, which are greater than £0.09 million, have been identified during the course of our audit and warrant communicating to you.

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

Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
BS - Short term Receivables	(841)	
BS - Short term Payables	841	
To correct Section 31 accrual which had been overstated in both receivables and payables in the balance sheet		
Cumulative effect of adjusted differences	0	0

Disclosures

Disclosure	Description of difference
Accounts and Audit Regulations	Amended to reflect the correct regulations (2015).
Annual Governance Statement	Amended to be consistent with events that have occurred in 2015/16 and to include limited and no assurance internal audit reports given in year by internal audit.
Note 2 – Accounting Standards Issued, Not adopted	Amended note as draft accounts have not been updated for the 2015/16 accounting standards issued, but not yet adopted.
Note 5 – Movement in Reserves Statement	Capital grants and contributions line and Capital expenditure line amended to be consistent with Note 11 – Capital Adjustment Account and Note 30 – Capital Financing Requirement. Total movement £0.7 million.
Note 24 – Related Party Disclosures	Members / Head of Services disclosures amended so that the number of Members and value disclosed is consistent with supporting working paper and to include the Alive Leisure Trust financial values.
Note 29 – Property, Plant and Equipment	<p>“Other land and buildings” and “Assets under construction” reclassification of assets to be corrected to be consistent with the fixed asset register. Reclassified £0.26 million.</p> <p>Draft disclosure of land awaiting development is not a CiPFA Code of Practice classification and has been amended to be disclosed in “Other land and buildings”.</p>
Note 26 – Investment Property and Note 29 – Property, Plant and Equipment	Disclosures updated to include fair value disclosures required by the introduction of IFRS 13 and by the Code of Practice. The Accounting Policy has been updated to ensure consistency with these notes.
Group Accounts	<p>With the consolidated Group Accounts, “Cultural and Related Services” Income and Expenditure were both overstated by £2.3 million.</p> <p>There were also amendments to the Debtor and Creditor balances.</p>
Other Disclosures Notes 10, 23, 32, 36, 38, Collection Fund Notes	Amended for typographical errors and to ensure consistency with other notes or primary statements.

Appendix C – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 10 February 2016.

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

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

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 5 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 10 February 2016.

Appendix D – Auditor fees

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

Description	Proposed final Fee 2015/16 £'s	Scale Fee 2015/16 £'s	Variation comments
Total Audit Fee – Code work (Note 1)	To be confirmed	51,291	None
Certification of claims and returns (Note 2)	To be confirmed	19,602	None

Note 1 - Audit Fee – Code work. We need to review our costs once we have completed the outstanding procedures before reporting formally agreeing the final fee with you within our Annual Audit Letter. In line with 2014/15 we have had a change to our audit scope upon which the scale fee was derived because of the inclusion of group account reporting and the associated additional required audit procedures.

Note 2 - Certification of claims and returns. We have not commenced our work in this area. We will report the results of our work and the final fee with you in our Annual Certification Report.

We confirm we have not undertaken any non-audit work outside of the Public Sector Audit Appointment's requirements.

Appendix E – Request for a management representation letter



Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ
Tel: + 44 1223 394400
Fax: + 44 1223 394401
ey.com



Lorraine Gore
Assistant Director
Borough Council of King's Lynn and West Norfolk
King's Court,
Chapel Street,
King's Lynn,
Norfolk,
PE30 1EX

18 August 2016

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Lorraine,

Borough Council of King's Lynn and West Norfolk – 2015/16 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 Civic Affairs, 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 financial statements of Borough Council of King's Lynn and West Norfolk ("the Council") for the year ended 31 March 2016. That 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 financial statements give a true and fair view of the Council financial position of Borough Council of King's Lynn and West Norfolk as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent 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. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).
2. That you acknowledge your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. You have approved the financial statements.
3. You confirm that the Responsible Officer has:
 - Reviewed the accounts
 - Reviewed all relevant written assurances relating to the accounts, and
 - Made other enquiries as appropriate.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error
6. You believe that the effects of any unadjusted audit differences, summarised in Appendix 1, 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. Please specify the reasons for not correcting these misstatements.

B. Fraud

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud



2. You have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. That you have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council internal controls over financial reporting. In addition, you have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. You have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. You have disclosed to us all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that we have requested from us 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. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. That you have made available to us all minutes of the meetings of the Council and its 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: 05 September 2016.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council 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 and transactions for no consideration for the period 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 financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.



6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that you have given to third parties.

F. Subsequent Events

1. That other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Segmental reporting

1. That you have reviewed the operating segments reported internally to the Council and that you are satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:



- The nature of the products and services
- The nature of the production processes
- The type or class of customer for their products and services
- The methods used to distribute their products

I. Going Concern

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

J. Retirement Benefits

1. That 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. That all significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

K. Use of management experts

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

L. Specific Representations

We do not require any specific representations in addition to those above.

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 (05 September 2016) on formal headed paper.

Yours sincerely

Mark Hodgson
Executive Director
Ernst & Young LLP
United Kingdom



Appendix 1 – Uncorrected Audit Misstatement

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
1. BS - Investment Property	497	
BS - Short term lease liability	(5)	
BS - Long term lease liability	(426)	
BS - Long term lease liability reserve	(61)	
CIES - Income from investment property		(5)
<p>This is the ongoing impact of the 2012/13 uncorrected misstatement relating to a 99 year lease which had been incorrectly treated as a full disposal in 2012/13.</p> <p>The correct treatment under IFRS in 2012/13 would have been to retain the asset within long term assets and create a creditor for the sale proceeds, releasing them evenly over the 99 year lease.</p>		
2. Provisions	478	478
<p>The Business Rate Appeals Provision is understated by £1.196 million due the Authority's calculation not considering a higher success rate for GP surgeries. The additional £1.196 million should be charged against the collection fund. The Authority's share is 40% which is £0.478 million.</p> <p>Charge would be reversed out to the collection fund adjustment account so no impact on the general fund</p>		
Cumulative effect of unadjusted differences	473	473

Appendix F – Required communications with the audit committee

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

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

Required communication	Reference
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations.
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
Independence <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and Audit Results Report
Significant deficiencies in internal controls identified during the audit	Audit Results Report
Group audits <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan and Audit Results Report
Fee Information <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report Annual Audit Letter if considered necessary
Certification work <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Certification Report

EY | Assurance | Tax | Transactions | Advisory

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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