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To the Chairman and Members of the
STANDARDS AND AUDIT COMMITTEE

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Dear Councillor

STANDARDS AND AUDIT COMMITTEE - THURSDAY, 19 JULY 2018

Please find enclosed the following item which was marked as ‘to follow’ on the agenda for the meeting of the Standards and Audit Committee on Thursday, 19 July 2018:

Agenda No	**Item**
5.	**External Audit Report to those Charged with Governance (ISA 260) 2017/18 (Pages 3 - 42)**

Yours sincerely

Doug Davern
Democratic Services Officer
Woking Borough Council

STANDARDS AND AUDIT COMMITTEE – 19 JULY 2018

EXTERNAL AUDIT REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2017-18

Executive Summary

Attached as Appendix 1 is the External Auditor's report to those charged with Governance (ISA 260) for 2017/18. Attached as Appendix 2 is a draft Management Representation letter, a copy of which will be signed following approval of the Statement of Accounts by Council on 26 July 2018.

In their report, the External Auditor draws the Committee's attention to the matters of concern discovered during the audit, and any adjusted or unadjusted audit differences. The External Auditor raised no recommendations as a result of their work this year and is satisfied that the Council has addressed those recommendations raised last year. There was one presentational adjustment which was made to the supporting notes to the accounts.

This report contains the Council's assessment of going concern, demonstrating that the assumption of going concern in preparing the accounts is appropriate.

The Standards and Audit Committee, in its role of governance and overseeing audit arrangements, is requested to receive the report and make any comments to full Council on 26 July 2018 as part of the Council's consideration of the Annual Statement of Accounts.

Recommendations

The Committee is requested to:

RECOMMEND TO COUNCIL That the Report To Those Charged with Governance (ISA 260) 2017/18 and the Management Representation letter be received.

The item(s) above will need to be dealt with by way of a recommendation to Council.

Background Papers: None.

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Date Published: 13 July 2018

1.0 Introduction

1.1 Attached as Appendix 1 is the External Auditor's report to those charged with Governance (ISA 260) for 2017/18. Attached as Appendix 2 is a draft Management Representation letter, a copy of which will be presented to Council on the 26 July 2018 for signature after approval by Council.

1.2 In their report the External Auditor, KPMG, draws the Committee's attention to matters of concern discovered during the audit. The report also sets out any significant adjusted or unadjusted audit differences. There was one presentational adjustment required to the notes to the accounts this year.

1.3 There were no recommendations raised as a result of the audit work this year. KPMG also confirm that previous years recommendations have been addressed.

2.0 Going Concern Assessment

2.1 As part of their audit work, KPMG consider going concern, and require the Council to demonstrate its ability to continue as a going concern for a period of 12 months from the signing of the accounts. Authorities are now asked to report their assessment of going concern to their Audit Committee.

2.2 Going concern is the assumption that the Council, its functions and services, will continue in operational existence for the foreseeable future. It is a fundamental principle in the preparation of the accounts and is required by the Local Authority Code of Accounting Practice.

2.3 If going concern was in doubt the impact on the accounts would include revaluation of fixed assets to ensure the values were actually realisable, and the inclusion of provisions for service closure and redundancies.

2.4 The Code assumes going concern on the basis that essential services to communities need to continue and that authorities are revenue-raising bodies with potential central government flexibility and support should they be in serious financial difficulty. Nevertheless it is best practice to consider and demonstrate that this assumption is appropriate.

2.5 The main factors which underpin the assessment are as set out below and considered further in the following sections.

- The Council's current financial position;
- The Council's projected financial position;
- The Council's governance arrangements;
- Identified risks and external conditions which could affect the Council's position.

<u>Current Financial Position</u>

2.6 The Statement of Accounts sets out the financial position at 31 March 2018, and the performance in the year to that date. KPMG have completed their audit of the accounts and have recommended one presentational change to the notes to the accounts.

2.7 The Council's financial and performance monitoring report for March 2018 showed underspends against budget of over £1m. This, together with the realisation of Business Rates income from previous years, and the acquisition of Dukes Court has enabled:

- The transfer of rental income from Orion Gate into the MTFS reserve (£644k);
- No requirement to use the MTFS reserve to support the budget (£744k planned);
- The creation of a new Car Parks reserve with £1m to allow time for forecast activity in new car parks to levels to meet financing costs; and
- The creation of a Dukes Court reserve, credited with £840k of rental income, to meet future landlord investment and cover any income shortfalls.

2.8 There was an increase in the Business Rates appeals provision at 31 March 2018. This reflects a more cautious view following the April 2017 revaluation and during a period of disruption in Woking town centre. It results in the Council requiring a safety net payment to maintain the minimum level of Business Rates funding in 2017/18. With the safety net payment the level of income is approximately £150,000 less than the baseline level. The budget also assumed a further Business Rates benefit of £200,000. Both of these have been covered by previous years Business Rates surpluses.

2.9 There was some use of reserves in year, including the use of the Wolsey Place reserve to offset reductions in rental income following the surrender of a lease some years ago, the New Homes Bonus reserve to support work at Brookwood Cemetery and the Investment Strategy Reserve to fund Investment Programme projects.

2.10 Overall there was an increase in General Fund revenue reserves and balances from £24.3m to £30.4m, although £3.5m of this increase relates to the timing of the Business Rates 2017/18 deficit and is therefore unusable. Housing Revenue Account balances reduced from £10.7m to £7.4m for HRA reserves, although it is expected that these will rise again when costs incurred by the Council on the Sheerwater project are reimbursed by Thameswey. The budget for 2018/19, approved in February 2018, forecast a £2.6m use of revenue reserves in the year to 31 March 2019 to support the budget, fund projects and maintain assets.

2.11 Reserves are set aside for specific purposes but there may be some flexibility in the timing of when they are required. Some reserves, in particular the Business Rates and MTFS reserve (which has a balance of £3.4m), are specifically to offset the impact of future funding threats including the impact of economic downturn.

<u>Medium Term Financial Strategy (MTFS)</u>

2.12 The 2018/19 General Fund budget was approved in February 2018 and included a £309,000 use of reserves to offset funding reductions ahead of the mitigating revenue, as identified by the MTFS, being in place.

2.13 To date the performance monitoring for 2018/19 has not identified any significant adverse variances to the base budget. The Green Book for May 2018 shows a projected underspend of £300,000 with the £250,000 contingency still available.

2.14 The MTFS approved by Council in April 2018, identified the need for £6.3m of ongoing cost savings or increased income by 31 March 2022. Of this total, £2.9m has identified plans in place to mitigate the pressures.

2.15 This leaves £3.4m to be secured, including £1.6m in 2019/20. Whilst this is challenging, the 2019/20 figures assume no use of reserves, and no Business Rates or Council Tax surplus. Having finalised the collection fund for 2017/18 the Council Tax surplus is £98,000 and it is hoped that the Business Rates pilot in 2018/19 will generate income in excess of that budgeted for the year. It is also possible that the pilot could continue into 2019/20 with potential for further income retained by the Council.

2.16 As part of the settlement for 2018/19 the government announced an intention to review the 'negative RSG' which it is assumed will cost the Council £945k in funding reduction in 2019/20. Any positive improvement in this position will reduce the savings to be secured.

2.17 In addition a proportion of the pressure arises through the impact of Investment Programme projects, some of which could be delayed should the need arise.

2.18 Plans continue to be developed to meet the medium term financial requirement, however, the 2017/18 results provide additional flexibility to manage the transition.

Governance Arrangements

2.19 Also on the agenda at this meeting is the Annual Governance Statement (AGS) for inclusion in the Statement of Accounts 2017/18.

2.20 The AGS together with supporting detailed schedules demonstrates how the Council meets the requirements of the CIPFA/Solace governance framework. It sets out in detail the arrangements within which the Council operates, plans and monitors use of assets to achieve objectives.

2.21 An action plan is included within the AGS to track the implementation of identified improvements. There are a number of actions for 2018/19 which are being taken forward by officers.

Risks and External conditions

2.22 Central to the MTFS is the assumption of withdrawal of government funding. To the extent that the multi-year settlement can be relied upon, the reductions are set and built into the Council's plans. However, post 2019/20 the funding position is unclear. The MTFS assumes continual reductions with the risk that these could be greater than the forecast amounts. £870k of further assumed funding reductions are included in the MTFS figures relating to 2020/21 and 2021/22.

2.23 The Council is undertaking significant projects in Victoria Square and Sheerwater. However, the governance structures are such that these are managed through the Council's subsidiary and associate companies. Whilst ongoing funding will be required from the Council, the structures protect the Council from the immediate impact of significant adverse variations, allowing time for future plans to be considered.

2.24 The Council requires loan finance to progress investment plans and the MTFS strategy. Should access to PWLB funding be limited funds would have to be secured from elsewhere. However, there are alternative sources of finance available to the Council. A significant increase in interest rates would increase project costs and increase the time to generate the forecast positive cashflows. Currently interest rate forecasts suggest only gradual increases over the MTFS period.

Going concern assessment conclusion

2.25 The analysis above confirms that the going concern assumption is valid and appropriate. Despite continued funding reductions over recent years the Council has maintained services, increased activity in some areas, and is shown to be able to do so for the foreseeable future. The Council has reserves which can mitigate a one-off or unexpected shock, and could cushion the ongoing operations for a period of time while a revised base position was secured. Most recent outturn performance confirms that revenue budgets are realistic and prudent, with some opportunity for in year underspends should management action be required.

3.0 Implications

Financial

3.1 There are no new financial implications arising from this report.

Human Resource/Training and Development

3.2 There are no specific HR, training and development issues arising.

Community Safety

3.3 There are no community safety issues.

Risk Management

3.4 Risks are addressed within the Medium Term Financial Strategy. The External Auditors have not raised any recommendations as a result of their audit this year.

Sustainability

3.5 There are no specific sustainability issues.

Equalities

3.6 There are no equalities issues.

4.0 Conclusions

4.1 The Statement of Accounts will be presented for approval by Council on 26 July 2018 together with the External Auditor's report, the Management Representation letter and any comments this Committee wishes to make on the report.

4.2 The Auditors have indicated that they anticipate issuing an unqualified audit opinion by 31 July 2018 in accordance with the statutory timetable.

4.3 The Standards and Audit Committee, in its role of governance and overseeing audit arrangements, is requested to receive the report and make any comments to full Council.

REPORT ENDS

External Audit Report 2017/18

Woking Borough Council

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July 2018

Content

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This report is addressed to Woking Borough Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA's website (www.psaa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Hewitson, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (0207 694 8981, andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Important notice

This report is presented in accordance with our PSAA engagement. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to Woking Borough Council (the Authority) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Authority. External auditors do not act as a substitute for the Authority's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our responsibilities under the National Audit Office Code of Audit Practice (the Code) and the terms of our Public Sector Audit Appointments Ltd (PSAA) engagement.

Purpose of this report: This Report is made to the Authority's Standards and Audit Committee in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland) and other matters coming to our attention during our audit work that we consider might be of interest and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report or for the opinions we have formed in respect of this Report.

Limitations on work performed: This Report is separate from our audit opinion and does not provide an additional opinion on the Authority's financial statements nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status of our audit at the Standards and Audit Committee meeting. The following work is ongoing:

— Pension assets; and

— WGA audit.

Summary

Financial statements audit – see section 2 for further details

Subject to all outstanding queries and procedures being satisfactorily resolved we intend to issue an unqualified audit opinion on the Group and Authority's financial statements for the deadline of 31 July 2018, following the Council adopting them and receipt of the management representations letter.

We have completed our audit of the financial statements. We have read the Narrative Report and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences.
- We agreed presentational changes to the accounts with Finance, mainly related to compliance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- We have not asked management to provide any management representations in addition to our routine requests.
- We reviewed the narrative report and have no matters to raise with you.
- We did not receive any queries or objections from local electors this year.

We are now in the completion stage of the audit and anticipate issuing our completion certificate by 31 July 2018. We intend to issue our 2017/18 Annual Audit Letter by 31 July 2018.

Value for money – see section 3 for further details

Based on the findings of our work, we have concluded that the Authority has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion for the deadline of 31 July 2018.

Summary

Other matters

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

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

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report. In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017/18 financial statements.

We are satisfied that the Authority has addressed the recommendations raised in our ISA260 report in 2016/17. We have made no new recommendations in 2017/18.

We undertake other grants and claims work for the Authority. The status of our grants and claim work is summarised below:

- We will complete the certification of Pooling of Housing Capital Receipts in September 2018; and
- We will complete the certification of Housing Benefits claim in October 2018.

The fees for this work is explained in section two.

Financial statements audit

We audit your financial statements by undertaking the following:

	Accounts production stage		
Work Performed	**Before**	**During**	**After**
1. Business understanding: review your operations	✓	✓	–
2. Controls: assess the control framework	✓	–	–
3. Prepared by Client Request (PBC): issue our prepared by client request	✓	–	–
4. Accounting standards: agree the impact of any new accounting standards	✓	✓	–
5. Accounts production: review the accounts production process	✓	✓	✓
6. Testing: test and confirm material or significant balances and disclosures	–	✓	✓
7. Representations and opinions: seek and provide representations before issuing our opinions	✓	✓	✓

We have completed the first six stages and report our key findings below:

1. Business understanding	In our 2017/18 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We provide an update on each of the risks identified later in this section.
2. Assessment of the control environment	We assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. We reviewed work undertaken by your internal auditors, in accordance with ISA 610 and used the findings to inform our work. We have chosen not to place reliance on their work due to the approach we adopted for the financial statements audit.
3. Prepared by client request (PBC)	We produced the PBC to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Financial Services Manager and this was issued as a final document to the finance team. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.

Financial statements audit

4. Accounts Production	We received complete draft accounts by 31 May 2018 in accordance with the deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The Authority incorporated measures into its closedown plan to manage this complex process. The Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to yearend to proactively address issues as they emerge. We consider that the overall process for the preparation of your financial statements is adequate We consider the Authority's accounting practices to be appropriate. We thank Finance for their cooperation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.
5. Testing	We have summarised the findings from our testing of significant risks and areas of judgement in the financial statements on the following pages. During the audit we identified only presentational issues which have been adjusted as they have no material effect on the financial statements.
6. Representations	You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Finance Director on 10 July 2017. We draw attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us.

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

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

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2017/18 financial statements. To ensure that we provide a comprehensive summary of our work, we have over the next pages set out:

- The results of the procedures we performed over the Pension Liability, Valuation of Land and Building and Valuation of Investment Properties which were identified as significant risks within our audit plan;
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition (which we have rebutted as part of our audit planning) and management override of control; and
- Our view of the level of prudence applied to key balances in the financial statements.

Financial statements audit

Authority significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Valuation of land and buildings	Council Dwellings and Other Land and Buildings CY: £444.8m PY: £435.1m	The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority revalues all material properties on an annual basis and has adopted a rolling revaluation model for remaining immaterial items which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. The valuation is undertaken as at 31 December 2017 and then updated to 31 March 2018. We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach. In relation to those assets which have been revalued during the year we reviewed the accounting entries made to record the results of the revaluation to ensure that they were appropriate. We assessed the valuer's qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions). We have set out our view of the assumptions used in relation to accounting for Property, Plant & Equipment at page 14. No issues were identified as a result of our testing.

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Financial statements audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Valuation of investment properties	Investment Property CY: £168.2m PY £174.7m	The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority exercises judgement in determining the fair value of these assets and the methods used to ensured the carrying values recorded each year reflect those fair values. There is an inherent risk that some investment property assets may not have been revalued each year. We assessed the Authority's approach to investment property valuation and confirmed that it is in line with CIPFA Code requirements. We confirmed that all investment properties were subject to valuation at year-end and we reviewed the accounting entries made to record the results of the revaluation to ensure that they were appropriate. We assessed the valuer's qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions). We have set out our view of the assumptions used in relation to accounting for Property, Plant & Equipment at page 14. No issues were identified as a result of our testing.

Financial statements audit

SIGNIFICANT audit risk	Account balances effected	Summary of findings
Pension liabilities	Liabilities related to pension scheme CY: £62.2m PY: £62.0m	The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Surrey Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. The valuation of the Local Government Pension Scheme relies on assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. There are financial and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should reflect the profile of the Authority's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements. As part of our work we reviewed the controls that the Authority has over information sent to the Scheme Actuary, including the Authority's process and controls with respect to the assumptions used in the valuation. We evaluated the competency, objectivity and independence of Hyman Robertson. We reviewed the appropriateness of the key assumptions included in the valuation and compared them to expected ranges. We reviewed the methodology applied in the valuation by Hyman Robertson. In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements. In order to determine whether the net pension liability has been appropriately accounted for we considered the valuation of pension assets. As part of our audit of the Pension Fund we gained assurance over the overall value of fund assets. We then liaised with the actuary to understand how these assets are allocated across participating bodies and re-performed this allocation. We have set out our view of the assumptions used in relation to estimate pension liabilities at page 15. No issues were identified as a result of our testing.

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Financial statements audit

Authority other areas of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Other areas of audit focus	Account balances effected	Summary of findings
Consolidation of subsidiary investments	Shareholding in companies CY: £49.3m PY: £30.7m	The Authority fully or partially owns eleven companies through one wholly owned subsidiary, Thameswey Limited. In addition to Thameswey Limited the Authority owns another subsidiary called Woking Necropolis and Mausoleum Ltd and has a 48% shareholding in Victoria Square Woking Limited. During 2017/18 the Authority acquired another company, Duke's Court Owner TS.ar.l. ▪ We liaised with the Thamesway Limited's auditor and confirmed their professional qualification, experience and independence. We have issued them with group audit instructions to ensure that their audit is conducted to an acceptable level of scope and precision; ▪ We assessed the Authority's impairment review; ▪ We compared the accounting transactions between the subsidiaries and the Authority accounts and confirmed that inter-group transactions had been corrected adjusted; and ▪ We tested the classification and accuracy of the investments in the Authority's accounts and reviewed the presentation of the consolidated group accounts. No issues were identified as a result of our testing.
Faster close	Pervasive	Faster close represents a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the time available to audit them has been reduced by two months compared to previous years. We liaised with officers in preparation for our audit to understand the steps that the Authority was taking to ensure it met the revised deadlines. We advanced audit work into the interim visit to streamline the yearend audit work. We received draft financial statements in line the statutory deadline of 31 May 2018. The quality of this draft was good and as a result few adjustments were identified.

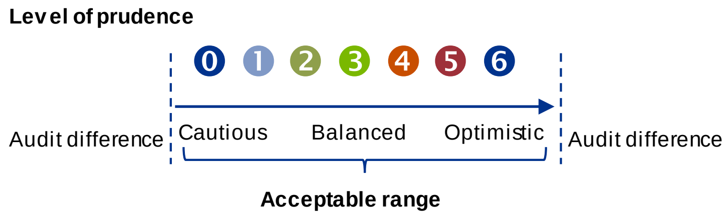
Financial statements audit

Risks that ISAs require us to assess in all cases	Why	Our findings from the audit
Fraud risk from revenue recognition	In our External Audit Plan 2017/18 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.	We have not conducted any specific procedures in relation to the risk of fraud from revenue recognition, as we have rebutted this risk.
Fraud risk from management override of controls	Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. We have not identified any specific additional risks of management override.	There are no matters arising from this work that we need to bring to your attention.

Financial statements audit

Judgements in your financial statements

We consider the level of prudence in key judgements in your financial statements. We summarise our view below using the following scale:



Assessment of subjective areas				
Asset / liability class	**Current year**	**Prior year**	**Balance (£m)**	**KPMG comment**
Provisions (including NNDR provisions)	3	3	£3.9m (PY:£1.4m)	In 2013/14 changes to the local authority funding arrangements meant that the Authority is now responsible for a proportion of successful rateable value appeals. The Authority has provided for a fixed percentage of outstanding appeals in accounting for the potential liability, based on historical appeals success rates. We tested this and found that the Authority has made appropriate judgements in deriving and assessing the appeals percentage. The Authority has provided for an increase in appeals due to the level of building activity in the town centre. We concluded that this is a balanced judgement.
Accruals de minimis level	3	3	£1,000 (PY:£1,000*)	There has been no change in the minimum level of accruals. The £1,000 limit is not unreasonable for an organisation the size of Woking, and in line with what we see at other councils. We therefore conclude this is a balanced judgement ** note these values are whole pounds, not millions.*
Accruals and sundry creditors	3	3	£11.8m (PY £12.7m)	We performed substantive testing over a sample of accruals. For each accrual we found that there was sufficient appropriate evidence to justify the accrued amount. Where possible we matched the accrual to the actual amount paid and found it to have been estimated reliably. The movement in accruals is mainly attributable to a reduction in income received in advance and sundry deposits.

Financial statements audit

Assessment of subjective areas				
Asset / liability class	**Current year**	**Prior year**	**Balance (£m)**	**KPMG comment**
PPE: HRA assets	3	3	£297m (PY:£294m)	The Authority continues its use of the beacon methodology in line with the DCLG's *Stock Valuation for Resource Accounting* published in November 2016. Beacon properties have been valued by Frazers chartered surveyors. The last Beacon valuation was performed in 2015, with desk-top valuations performed since then. The next full Beacon valuation is due in 2020. Based on our assessment of the assumptions used in the desk-top valuation, we have concluded this is a balanced judgement.
PPE and investment property: Impairments	3	3	£16.7m (PY: £23.9m)	There was an decrease in the value of impairments recognised in 2017/18. The main contributor to the impairment was a fall in value of the Albion Canopy, which is being redeveloped and has been written down from it's carrying amount of £4m to £NIL. We assessed the valuations prepared by Wilks Head and Eve using our own valuation specialist. Our assessment is that WHE has used prudent assumptions about property prices and rental yields, which are tailored appropriately for the Surrey area. We therefore conclude that this is a balanced estimate.
Bad debt provision	3	3	£2.9m (PY: £2.9m)	The provision for bad debts is unchanged in 17/18. The Authority has analysed the aging of its debtors, and compared it to historic debt collection rates. The provision is a reasonable reflection of these historic rates, so we have concluded it is a balanced estimate.
Pension liability	3	3	£62m (PY:£62m)	The pension scheme liability has remained unchanged. We performed detailed audit procedures over the pension liability. This included agreeing the amounts disclosed back to the actuary's report, substantively testing the information provided to the actuary, and performing a review of the key assumptions that affect the balance. In addition, we reviewed the PWC report of the Local Government Pension Scheme, and communicated with Grant Thornton, the auditors responsible for the Surrey Pension Scheme. We found that the assumptions were reasonable and the underlying data was accurate. We found that the assumptions applied by the Authority were in line with other Surrey Authorities, and with our own internal benchmarks. We have therefore concluded this is a balanced assumption.

Financial statements audit

Group audit

We liaised with the subsidiary auditor, Hamlyns for Thamesway Ltd and PwC Luxembourg for Dukes Court Owner, and confirmed their professional qualifications, experience and independence. No issues were identified from this work. We reviewed the Authority's impairment review, which did not identify any issues. We compared the accounting between the subsidiary and the Authority accounts, which did not identify any issues. We liaised with the subsidiary auditors to confirm whether the accounts of the subsidiaries were materially accurate, both auditors have confirmed their accuracy.

- Thamesway Ltd (including subsidiary companies), consolidated turnover £13,292k
- Dukes Court Owner T S.à r.l. turnover £4,303k

There are no specific matters to report pertaining to the group audit. There were no issues to note in relation to the consolidation process.

Narrative report of the Authority

We have reviewed the Authority's narrative report and its Annual Governance Statement and confirmed that they are consistent with the financial statements and our understanding of the Authority.

Queries from local electors

We did not receive any questions or objections from members of the public this year.

Financial statements audit

Audit certificate

To issue an audit certificate we are required to have completed all our responsibilities relating to the financial year. We are not in a position to issue our audit certificate alongside our audit opinion as HM Treasury has recently issued its guidance for completing the WGA and issued the consolidation packs that Authorities need to complete. We aim to complete the work by end of July 2018.

We have not received any objections to the accounts from local electors, therefore we expect to issue our audit certificate in July 2018 following completion of our WGA work.

Whole of Government Accounts (WGA)

We are reviewing your WGA consolidation pack. We will provide an oral update on the status of our work at the Standards and Audit Committee meeting.

Other grants and claims work

We undertake other grants and claims work for the Authority that does not fall under the PSAA arrangements: we will complete the certification of Pooling and Housing Capital Receipts in September 2018.

We undertake work for the Authority on its housing benefits grant claim that falls under the PSAA arrangements: we will complete the certification of Housing Benefits claim in October 2018.

Audit fees

Our fee for the audit was £54,702 excluding VAT (£54,702 excluding VAT in 2016/17). This fee was in line with that highlighted in our audit plan approved by the Standards and Audit Committee in February 2018.

Our work on the certification of Housing Benefits (BEN01) is planned for October 2018. The planned scale fee for this is £7,208 excluding VAT (£7,208 excluding VAT in 2016/17). Planned fees for other grants and claims which do not fall under the PSAA arrangements is £3,000 excluding VAT (£3,000 excluding VAT in 2016/17).

We have not completed any non-audit work at the Authority in year.

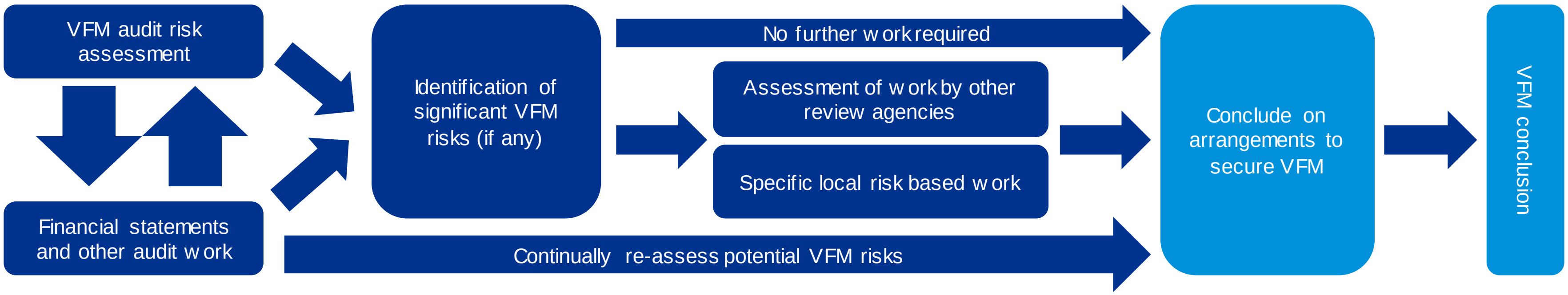
KPMG

Value for money

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk as summarised below:



We identified one significant VFM risks which is reported overleaf. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.

Value for money

Significant risk based VFM audit work

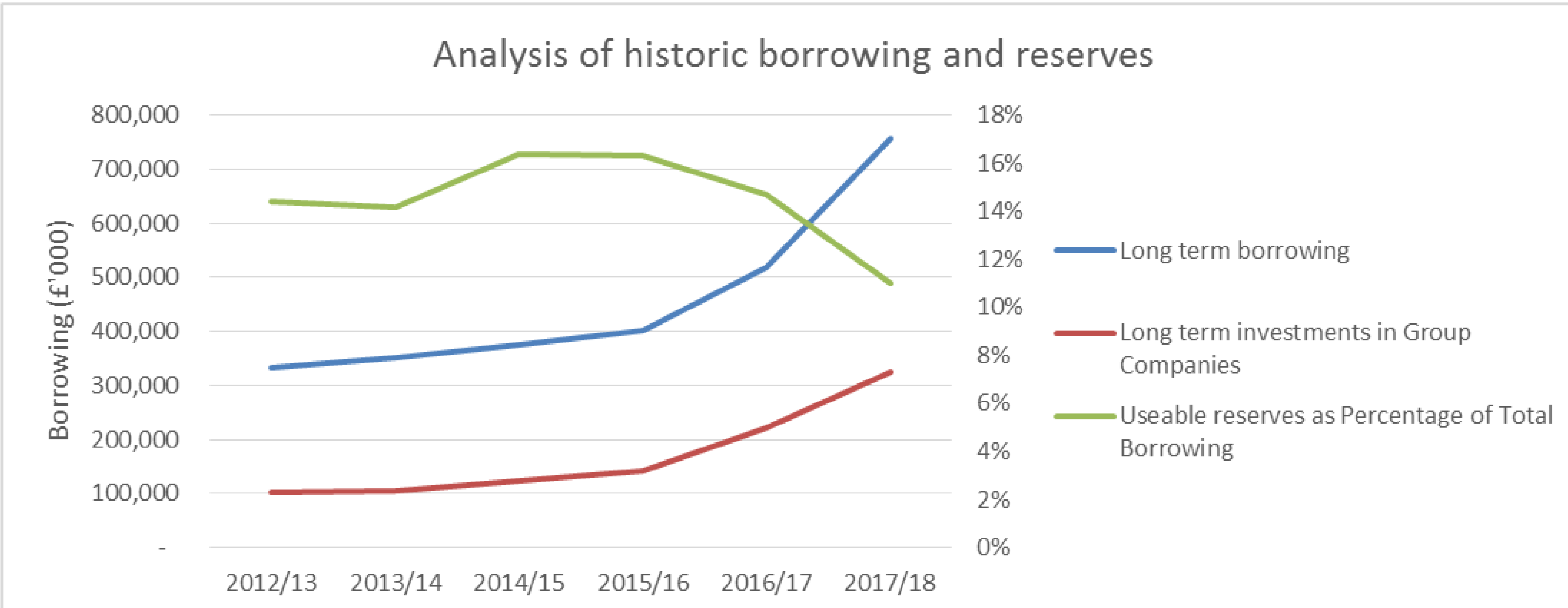
Below we set out the detailed findings of our significant risk based VFM work. This work was completed to address the residual risks remaining after our assessment of the higher level controls in place to address the VFM risks identified in our planning and financial statements audit work.

Significant VFM risk	Why this risk is significant	Our audit response and findings
Financial resilience	Local Authorities are subject to an increasingly challenged financial regime, with reduced funding from Central Government, whilst having to maintain a statutory and quality level of services to local residents. The Authority identified the need to make savings of £100,000 in 2017/18 (2016/17 there was no savings target). The year end performance monitoring shows that the Authority did not identify any specific savings against the £100,000 savings target in 2017/18. However, there were underspends reported in key areas such as Orion Gate rental income, Civic Offices, Homelessness support grant and Development management. In total the Authority delivered an underspend in 2017/18 of £1,155k.	We reviewed the overall management arrangements that the Authority has put in place for managing its financial position. As part of our work we reviewed: • The process the Authority follows to produce, challenge, approve and maintain its Medium Term Financial Strategy (MTFS). We found that the MTFS had been well-prepared, and scrutinised by the Executive. This demonstrates good levels of challenge over the Authority's planned savings targets. • The arrangements for ongoing and regular monitoring of the annual budget and how the process is responsive to increasing costs of demand led services and changes in funding; and • The governance arrangements in place including reporting to the Executive and the Council. • The annual pattern of reserves and borrowing, noting how these have changed over time and comparing them with the Authority's borrowing limit. • Key savings identified in the MTFS, along with reviewing and assessing the key assumptions built into the anticipated future savings. *Continues overleaf…*

Value for money

Financial resilience

As part of our work on financial resilience, we have looked at historical borrowing trends and reserve patterns over time:



We are seeing a trend of increased borrowing at the Authority. The Authority is continuing to invest in infrastructure projects and long-term borrowings have increased to £736M from £510M as at 31 March 2018. Previously, most of this borrowing was used to finance Investment Projects through the Thameswey Group. However, in 2017/18 this is increasingly being used to finance development projects run directly by the Authority and investment property acquisitions. The borrowing is 62.3% of the Authority's authorised debt limit of £1.18BN. The Authority has net assets of £236M and useable reserves of £89M.

No issues were identified from our testing.

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Appendix 1

Recommendations

We have followed up the recommendations from the prior year's audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding
4	4	0

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at July 2018
1	2	**Journal controls** The Authority does not have a number of the typical controls we expect to see embedded into the journals process. We have provided management with a 'best practice' summary of the typical journal controls used by other organisations. Whilst we are satisfied that there are mitigating controls in place that could detect a material misstatement in the financial statements, in light of the faster close timetable next year and current good practice, the Authority should consider how it could improve the efficiency and effectiveness of its journals control environment. This includes making use of automated controls within the Integra accounting system.	**Agreed** Access to journals is restricted to members of the Finance Team which minimises the risk of inappropriate journal entry. Mitigating controls are in place to identify errors. A management control report will be generated to identify back-posted journals. Owner: Financial Services Manager Deadline: 31 December 2017	**Implemented** A management control report was generated and supplied to the audit team near to the conclusion of the final accounts audit to identify any back-posted journals. No issues arising as part of 2017/18 audit.
2	3	**Journals authorisation** One member of staff remained on the journals authorisation list when they should have been removed. This was due to one member of staff who was temporarily seconded to the finance team to assist with a busy period. They were correctly given journals privileges, but these were not removed when that person left the team. We reviewed the journals list and found that no journals had been posted by that person in 2016/17, and they have now been removed from the approved list. We recommend that management frequently review the access rights for posting journals.	**Agreed** A management report of staff with access to journals will be reviewed quarterly. Owner: Financial Services Manager Deadline: 31 December 2017	**Implemented** As part of the final accounts process a management report was generated for review of all staff who have entered journals in the 2017/18. No issues arising as part of 2017/18 audit.

Recommendations

#	Risk	Recommendation	Management Response / Officer / Due Date	Status at July 2018
3	❸	**Faster close preparations** In preparation for the mandatory faster close timetable for 2017/18 onwards, Finance could benefit from ensuring that the accounts timetable has sufficient time set aside for preparing and quality assuring its draft accounts and supporting working papers. This should help to ensure that the tighter deadlines are met next year. A detailed 2016/17 debrief should take place internally to identify lessons leant and potential efficiencies for next year's process, which we would be happy to take part in.	**Agreed** The Finance Team will work with KPMG to prepare for 2017/18 accounts process.	**Implemented** No issues arising as part of 2017/18 audit.
4	❸	**Timeliness of bank reconciliations** We note one instance where a reconciling item on the bank reconciliation was not cleared in a timely manner. The reconciling item was for £578,573.97 and was made on 29 June 2016. This still appeared as a reconciling item on the December 2016 bank reconciliation. The item was known to Management, however, there were delays in matching the amount in the bank statement to the ledger to clear it from the bank reconciliation. The effectiveness of this control is reduced if reconciling items are not cleared frequently, a point for which the relevance grows as we move towards the shorter close down period next year. We recommend the Authority clears all reconciling items within a 30 day period.	**Agreed** A 30 day period will be adopted as a target for processing transactions onto the financial information system.	**Implemented** No issues arising as part of 2017/18 audit.

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Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects:

- Material errors by **value** are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements;
- Errors which are material by **nature** may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff; and
- Errors that are material by **context** are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2017/18, presented to you in February 2018.

Materiality for the Authority's accounts was set at £2.8 million which equates to around 1.9% of gross expenditure.

Materiality for the Group accounts was set at £3.0 million which equates to around 1.9% of gross assets.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to Standards and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Standards and Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work. Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. *ISA 450* requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £140k for the Authority and less than £150k million for the Group audit.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Standards and Audit Committee to assist it in fulfilling its governance responsibilities.

Appendix 3

Audit differences

Unadjusted audit differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the Standards and Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Standards and Audit Committee, details of all adjustments greater than £140K for Authority and £150k for Group audits are shown below.

There are no unadjusted audit differences.

Presentational adjustments

We identified presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). Whilst the majority of these adjustments were not significant, we identified one of a more significant nature – see the following table. It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Presentational adjustments	
#	Basis of audit difference
1	Redundancy payments column of the Senior Officer Pay disclosure note needs to be updated with the £65k redundancy formally paid in 2017/18. This amount was accrued and disclosed in the termination benefit note in 2016/17. However these termination costs also need to be included in the Senior officer's pay disclosures.

Appendix 4

Audit independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF WOKING BOROUGH COUNCIL

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses: general procedures to safeguard independence and objectivity; breaches of applicable ethical standards; independence and objectivity considerations relating to the provision of non-audit services; and independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: instilling professional values; communications; internal accountability; risk management; and independent reviews. We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Standards and Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP.

KPMG LLP

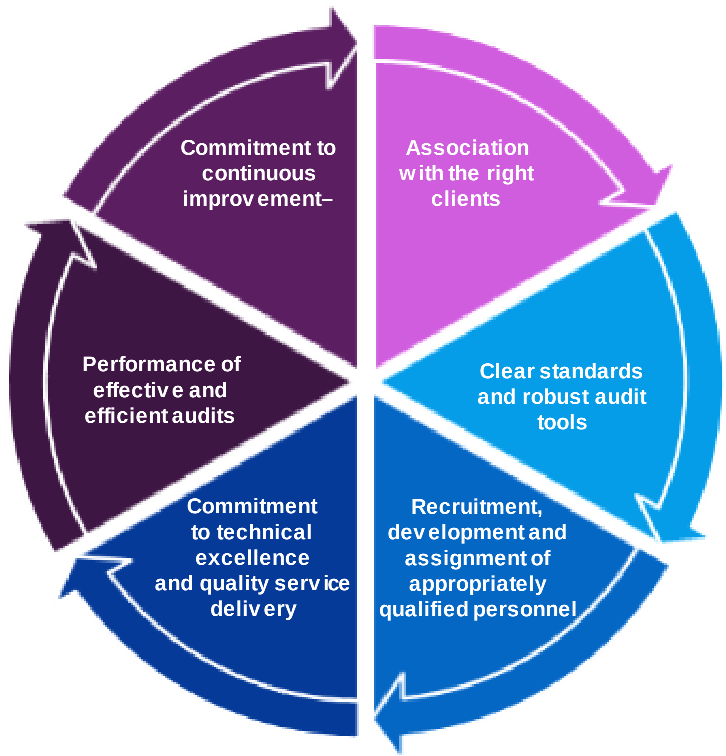
Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework

- Comprehensive effective monitoring processes
- Proactive identification of emerging risks and opportunities to improve quality and provide insights
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Relationships built on mutual respect
- Insightful, open and honest two way communications

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- Independence policies

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

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26 July 2018

Dear Neil

This representation letter is provided in connection with your audit of the financial statements of Woking Borough Council ("the Authority"), for the year ended 31 March 2018, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These financial statements comprise the Expenditure and Funding Analysis, the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes (including the Expenditure and Funding Analysis).

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

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

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended;

ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. There are no unadjusted audit differences.

Information provided

5. The Authority has provided you with:

   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. The Authority has disclosed to you all information in relation to:

   a) Fraud or suspected fraud that it is aware of and that affects the Authority and the Group and involves:

      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and

   b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

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

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

    Included in the Apendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

12. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.

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

    The Authority further confirms that:

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

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

    have been identified and properly accounted for; and

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

This letter was tabled and agreed at the meeting of the Standards and Audit Committee on 19 July 2018, and Council on 26 July 2018.

Yours faithfully,

Leigh Clarke
Finance Director

For further information please contact Leigh Clarke on 01483 743277 (Direct Line) or
Email Leigh.Clarke@woking.gov.uk

Appendix to the Authority Representation Letter of Woking Borough Counil: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenduture and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A penson fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> “Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    iii. Both entities are joint ventures of the same third party.
    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
    v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.