Appendix A

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Report to those charged with governance (ISA 260) 2012/13

North London Waste Authority

September 2013

Contents

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Introduction

This report summarises:

- **the key issues identified during our audit of North London Waste Authority's (the Authority's) financial statements for the year ended 31 March 2013; and**
- **our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.**

Background

International Standard on Auditing (ISA) (UK and Ireland) 260 requires us to provide a summary of the work we have carried out to discharge our statutory audit responsibilities to those charged with governance at the time they are considering the financial statements. ISA 550 requires us to communicate with those charged with governance, unless they are all involved in managing the entity, significant matters arising during the audit in connection with the entity's related parties.

Financial statements

Our *External Audit Plan 2012/13* presented to you in March 2013 set out the four stages of our financial statements audit process.

Planning → Control Evaluation → Substantive Procedures → Completion

This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place in two tranches during February 2013 (interim audit) and August 2013 (year end audit). We carried out the following work:

Control Evaluation

- Evaluate and test selected controls over key financial systems
- Review internal audit function
- Review accounts production process
- Review progress on critical accounting matters

Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the AGS.

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

Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

Value For Money (VFM) conclusion

The Audit Commission has determined the scope of our work on value for money at the Authority is to:

- Review the AGS;
- Review the results of the work of other relevant regulatory bodies or inspectorates; and
- complete any other risk-based work as suitable.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2012/13 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

We make one recommendation, detailed at Appendix 1.

Acknowledgements

Officers were available throughout the audit visit to answer our queries as they arose. We found the Finance team engaged and proactive in the audit process. The Authority's working papers prepared by the Finance team to support the financial statements were high quality. This had a positive impact on the audit as it helped to ensure that the audit was efficient. We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion before 30 September 2013. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	We are pleased to report that our audit of your financial statements did not identify any material adjustments. The group financial statements incorporate two unadjusted errors originally reported to LondonWaste Limited (LWL) by its auditors, BDO. The effect of these unadjusted errors is to increase the group's surplus by £437,000 and increase the net assets of the group by £437,000. We provide further information on these unadjusted misstatements in Appendix 2. We also seek specific management representations that the effect of these unadjusted misstatements is immaterial. We detail the representations we request from management in Appendix 4. We have raised one recommendation arising from our work, detailed in Appendix 1.
Accounts production and audit process	The Authority has sound processes in place for the production of the accounts and good quality supporting working papers. Officers dealt efficiently with audit queries and the audit has been completed within the planned timescales. We have worked with officers throughout the year to discuss the specific risk areas for this year's audit.
Completion	At the date of this report our audit of the financial statements is substantially complete subject to our final checks on the revised financial statements and enquiries concerning events after the balance sheet date. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2013.
Certificate	We cannot issue a certificate and close the audit because of ongoing correspondence with local government electors. We will update Members through our progress reports on further developments but there are no matters under discussion that we consider materially affect our audit opinion and value for money conclusion.

Proposed opinion and audit differences

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

The wording of your AGS accords with our understanding.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion by 30 September 2013.

Audit differences

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

We did not identify any material misstatements.

We identified no non-trivial errors in the financial statements of the Authority that management did not correct. The audit of LWL's accounts identified two unadjusted audit differences. LWL's auditors, BDO, reported these differences to LWL's board in May 2013.

The Authority has not adjusted its financial statements for these audit differences on consolidation and so they are present within the Authority's group financial statements. We bring them to your attention to help you in fulfilling your governance responsibilities. These audit differences are:

- The under provision on landfill tax recoverable for the period April 2011 to March 2012 leading to a misstatement of £172,000 in the 2012/13 Group Balance Sheet.
- An increase in insurance proceeds debtor to reflect the further payment on account received in April leading to a misstatement of £265,000 in the 2012/13 Group Comprehensive Income and Expenditure Statement.

The effect of these unadjusted errors is to increase the group's surplus by £437,000 and increase the net assets of the group by £437,000. We have discussed this with management, who have declined to amend the group accounts so as to maintain consistency with LWL's published financial statements. We seek specific management representations that the effect of these unadjusted misstatements is immaterial.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2012/13 ('the Code')*. The Authority has addressed all presentational adjustments.

Annual Governance Statement

We have reviewed the AGS and confirmed that:

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

Accounts production and audit process

The Authority has sound processes in place for the production of the accounts and good quality supporting working papers.

Officers dealt efficiently with audit queries and the audit was completed within the planned timescales.

Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has good financial reporting arrangements in place. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 27 June 2013, slightly ahead of the statutory deadline.
Quality of supporting working papers	The Authority's working papers prepared by the Finance team to support the financial statements were high quality. This had a positive impact on the audit as it helped to ensure that the audit was efficient.
Critical accounting matters (key audit risks)	We have discussed with officers throughout the year the areas of specific audit risk and undertaken specific audit procedures. There are no matters to draw to your attention.

Element	Commentary
Response to audit queries	Officers resolved all audit queries in a reasonable time. This ensured that the audit was completed efficiently and within agreed timescales.
Group audit	To gain assurance over the Authority's group accounts, we placed reliance on work completed by their auditors, BDO, on the financial statements of LWL. The group financial statements contain two unadjusted errors originally reported to LWL by BDO, detailed in Appendix 2. We seek specific management representations that the effect of these unadjusted misstatements in the group accounts is immaterial.

Control environment

The Authority's organisation and IT control environment is effective, and controls over the key financial systems are sound.

We are satisfied that internal audit are compliant with the Code of Practice for Internal Audit in Local Government and have been able to place reliance on their work where this was relevant to our work.

During February 2013, we completed our control evaluation work. We did not issue an interim report as there were no significant issues arising from this work. For completeness, we outline the key findings from this work.

Organisational and IT control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We therefore obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented.

The Authority also relies on IT provided by London Borough of Camden to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations.

We found that your organisational and IT control environment is effective overall.

Review of Internal Audit

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on any relevant work they have completed to minimise unnecessary duplication of work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

For 2012/13, the *Code of Practice for Internal Audit in Local Government* defined the way in which the internal audit service should undertake its functions.

Since April 2013, the United Kingdom Public Sector Internal Audit Standards (PSIAS) apply across the whole of the public sector, including local government. These standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. The PSIAS replace the *Code of Practice for Internal Audit in Local Government*. Additional guidance for local authorities is included in the *Local Government Application Note* on the PSIAS.

We did not identify any significant issues with internal audit's work and internal audit continue to comply with the Code of Practice for Internal Audit in Local Government.

Controls over key financial systems

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we test selected controls that address key risks within the financial systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Based on our own work on controls over the year end process, the controls over the financial systems are sound.

Completion

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

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

We are unable to close the audit as a result of ongoing elector challenges to the financial statements.

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of North London Waste Authority for the year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and North London Waste Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Whole of government accounts

As in previous years the Authority is required to complete a return for the Department of Communities and Local Government summarising its financial statements for consolidation within the Whole of Government Accounts. We are directed by the National Audit Office (NAO) to undertake limited procedures to review the return and report any matters arising. We have completed the required procedures for 2012/13 and had no matters to report to the NAO.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Head of Finance, a draft of which is reproduced in Appendix 4. We require a signed copy of your management representations before we issue our audit opinion.

As noted above, the letter asks for specific representations on the uncorrected audit adjustments included in the group accounts.

Correspondence with local government electors

We have received correspondence from a group of local government electors of the Authority who have asked us to consider issuing a report in the public interest under section 8 of the Audit Commission Act 1998. While we consider this request we cannot certify the close of the 2012/13 audit. We will update Members on our consideration in progress reports issued to the Board.

Other matters

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

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report relating to the audit of the Authority's 2012/13 financial statements.

VFM conclusion

Our VFM conclusion considers how the Authority secures economy, efficiency and effectiveness. The Authority qualifies for the small body VFM approach as defined by the Audit Commission.

Background

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to*:*

- Plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

The Authority qualifies for the small body VFM approach, as defined by the Audit Commission.

This means that the scope of our work on VFM at the Authority is limited to:

- Reviewing the Annual Governance Statement;
- Reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on our responsibilities; and
- Other risk-based work as appropriate or any work mandated by the Audit Commission

Key findings

Below we set out the findings in respect of the area where we have identified an audit risk for our VFM conclusion.

We conclude that we did not need to carry out additional work for this risk as there was sufficient relevant work that had completed by the Authority, the Audit Commission, other inspectorates and review agencies in relation to these risk areas.

Key VFM risk	Risk description	Assessment
	The Authority is engaged in a major procurement exercise to arrange the future of its waste service delivery at the expiry of current arrangements at the end of 2014. The procurement exercise was originally supported by PFI credits but this was withdrawn by the Government in 2010 and the process was further complicated on the withdrawal of one of the two remaining bidders in December 2012. Managing such a significant project clearly absorbs a significant amount of management time and presents a number of operational and financial risks to the Authority, with periodic steps in the process giving rise to specific audit issues.	We identified that the Authority has made no formal decision on the future provider of its waste delivery services at the expiry of the current contract with LWL in December 2014. In the course of our VFM work, we confirmed that appropriate disclosure had been made in the Authority's Annual Governance Statement.

VFM conclusion (continued)

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

Work completed

In line with the risk-based approach set out on the previous page, and in our Audit Plan we have

- Reviewed the AGS;
- Reviewed the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on my responsibilities; and
- Completed any other risk-based work as suitable

Conclusion

- We are not aware of any relevant work of other relevant regulatory bodies or inspectorates; and
- We have not identified any significant risks requiring specific risk-based work.

We have reviewed your AGS and have no matters to report.

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

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up this recommendation next year.

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❸	**Earmarked Reserves** The Authority has maintained an earmarked reserve of £1,000,000 to fund future recycling initiatives since 1999/2000 following the receipt of a special dividend from LWL. The Authority has made no formal plan to use this reserve. The Authority should draw up and have approved by appropriate Member Committee a clear plan to use the earmarked reserve or release it into the General Fund for general Authority purposes.	Agreed. It remains the Authority's intention to take decisions on the use of this reserve once key decisions have been made on the procurement project. The expectation therefore is that use of this reserve will be determined in 2013/14. The responsible officer is the Financial Adviser supported by the Head of Finance.

Appendix 2: Audit differences

This appendix sets out the significant unadjusted audit differences.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in the Authority's case is the Board). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

We identified no material audit differences during our audit of the Authority's financial statements for the year ended 31 March 2013.

Uncorrected audit differences

We identified no errors in the financial statements of the Authority that management did not correct. BDO identified the following misstatements during their audit of LWL. The Authority has not adjusted the financial statements on consolidation and so the errors are present within the Authority's group financial statements for the year ended 31 March 2013.

	Impact					
No.	**Income and Expenditure Statement**	**Movement in Reserves Statement**	**Assets**	**Liabilities**	**Reserves**	**Basis of audit difference**
1	Cr Group Environmental and regulatory services £172,000		Dr Group Other debtors £172,000			**Under provision of landfill tax** This audit adjustment recognises the under provision on landfill tax recoverable for the period April 11 to March 12.
2	Cr Group Other Operating (Income) and Expenditure £265,000		Dr Group Other debtors £265,000			**Insurance proceeds** This audit adjustment recognises the increase in insurance proceeds debtor to reflect the further payment on account received in April.
	Cr £437,000	**-**	**Dr £437,000**	**-**	**-**	**Total impact of uncorrected audit differences**

Appendix 3: Declaration of independence and objectivity

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

Requirements

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

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

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

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

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

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

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

General procedures to safeguard independence and objectivity

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

Appendix 3: Declaration of independence and objectivity (continued)

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

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

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

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

Auditor declaration

In relation to the audit of the financial statements of North London Waste Authority for the financial year ending 31 March 2013, we confirm that there were no relationships between KPMG LLP and North London Waste Authority, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 4: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

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

We are seeking specific management representations over the unadjusted audit differences within the group accounts.

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of North London Waste Authority(“the Authority”), for the year ended 31 March 2013, for the purpose of expressing an opinion as to whether these:

i. give a true and fair view of the financial position of North London Waste Authority and its Group as at 31 March 2013 and of its expenditure and income for the year then ended; and

iii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

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

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

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
   - give a true and fair view of the financial position of the Authority and the Group as at 31 March 2013 and of the Authority’s and the Group’s expenditure and income for the year then ended; and
   - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

   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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 require adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements identified in the Group Accounts are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

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

Appendix 4: Draft management representation letter (continued)

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. 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.

   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.
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 financial statements communicated by employees, former employees, analysts, regulators or others.
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 the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 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 and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

    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;
       - are funded or unfunded; and
       - are approved or unapproved,
       - have been identified and properly accounted for; and

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

This letter was tabled and agreed at the meeting of the Board on 26 September 2013.

Yours faithfully,

Financial Adviser

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