

South Downs National Park Authority

Audit Results Report (ISA260) for the year ended 31
March 2013

September 2013



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Norman Dingemans
Chair of the Standards and Audit Committee
South Downs National Park Authority
Hatton House
Bepton Road
Midhurst
West Sussex GU 29 9LU

September 2013

Dear Norman

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Standards and Audit Committee. This report summarises our preliminary audit conclusion in relation to South Downs National Park Authority's (the Authority's) financial position and results of operations for 2012/13.

The audit is designed to express an opinion on the 2012/13 financial statements, reach a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources, and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Authority's accounting policies and judgments and material internal control findings.

This report is intended solely for the information and use of the Standards and Audit Committee and the Authority. It is not intended to be and should not be used by anyone other than these specified parties.

A copy of this report will be sent to the Audit Commission in accordance with the requirements of its Standing Guidance.

We welcome the opportunity to discuss the contents of this report with you at the Standards and Audit Committee meeting scheduled on 24 September 2013.

Yours sincerely
For and on behalf of Ernst & Young LLP

Helen Thompson
Ernst & Young LLP
United Kingdom
Enc.

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

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

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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

Overview of the financial statement audit

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Financial statements

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified opinion on the Authority's financial statements. We identified one significant risk and one other risk impacting on the audit of the financial statements. Our main findings in relation to the areas of risk included in our Audit Plan are set out below.

Significant risk:

Planning income

You work in partnership with the 15 local planning authorities (LPAs) within the Park's boundaries to determine planning applications. Under this arrangement, 11 of the 15 LPAs are responsible for the day to day processing and determination of small scale planning applications, which form the majority of all planning applications considered.

Planning fee income received from the LPAs is material to your financial statements. Our walkthrough of your processes to receive this income identified some weaknesses in your arrangements

Findings

Our approach focused on ensuring that all planning income due to the Authority has been received and accounted for in the financial statements. As we were not initially able to rely on the operation on controls, we primarily gained assurance from the substantive testing of transactions.

Our detailed work confirmed weaknesses in your arrangements in this area. Difficulties in reconciling planning fees due to cash received took considerable officer time to resolve and resulted in significant delays in billing the 11 LPAs to collect income due to the Authority. As at June 2013, none of the cash due from the 11 LPAs, which totalled approximately £500,000 for the year, had been collected. You plan to make control improvements during 2013/14 to address this.

As a result of our work in this area you have reduced the value of planning income shown in your financial statements by £22,000. This reduces your reported surplus for the year by £22,000.

Other financial statement risk:

Risk of misstatement due to fraud and error

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Findings

We identified no material misstatements or evidence of material fraud. Weaknesses in the control environment for planning fee income meant we were not able to fully rebut the presumption of fraud in revenue recognition. We therefore undertook additional substantive procedures to gain assurance in this area.

Economy, efficiency and effectiveness

Following the performance of the procedures outlined in our Audit Plan, we anticipate issuing an unqualified value for money conclusion.

Whole of Government accounts

We have completed the work required to issue our report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts. We have no issues to report.

Control themes and observations

Our audit has not identified any significant control issues that we are required to bring to your attention, other than the issues associated with planning income discussed above.

Summary of audit differences

Our audit identified a relatively small number of misstatements in the accounts presented for audit. These are detailed in Section 3 of this report.

Scope update

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan that we presented to the Standards and Audit Committee on 25 April 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Our work comprises a number of elements. In our Audit Plan, we provided you with an overview of our audit scope and approach for the audit of the financial statements, our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and the work that we are required to perform in respect of the Whole of Government Accounts return.

We carried out our work in accordance with our Audit Plan.

Significant findings from the financial statement audit

In this section of our report, we outlined the main findings from our audit of your financial statements, including our conclusions in relation to the areas of risk outlined in our Audit Plan. We identified one significant risk and one other risk impacting on the audit of the financial statements. Our main findings in relation to the areas of risk included in our Audit Plan are set out below.

Significant risk:

Planning Income

You work in partnership with the 15 local planning authorities (LPAs) within the Park's boundaries to determine planning applications. Under this arrangement 11 of the 15 LPAs are responsible for the day to day processing and determination of small scale planning applications, which form the great majority of all planning applications considered.

Planning fee income received from the LPAs is material to your financial statements. Our walkthrough of your processes to receive this income identified some weaknesses in your arrangements. At the end of quarter three a material amount of income due to the Authority had not yet been received. Actions were being undertaken to address this at the time of our work in early March.

Our response and findings

Our approach focused on ensuring that all planning income due to the Authority has been received and accounted for in the financial statements. As we were not initially able to rely on the operation on controls, we primarily gained assurance from the substantive testing of transactions.

We noted a number of weaknesses in your arrangements in this area. You experienced difficulties in reconciling the planning fees due to the Park recorded in your UNIFORM planning administration system to cash held at the bank. This is because only a proportion of the cash due is received directly by the Authority. Fees for on-line applications go directly to the Authority together with all cash and cheques paid in the four LPAs no longer delivering day-to-day planning application determination on behalf of the Park. Cheques received by the 11 LPAs still providing services are usually made payable to those authorities but are also sometimes made payable to the Park. Where that is the case those cheques are forwarded to the Authority and banked directly. As a result of the different ways in which cash has been received it has taken a considerable amount of officer time to determine accurately the cash value of fees held by the Authority and the cash value of fees held by the 11 LPAs still undertaking the day-to-day determination of planning applications on behalf of the Authority.

This uncertainty and associated additional work required caused significant delays in billing the LPAs to collect the income due to the Authority. When we started our audit of the financial statements in late June 2013 none of the income due from the 11 LPAs, which totalled approximately £500,000, had been collected. Invoices for quarters one to three had been issued but most of these were disputed by the LPAs. As at 6 September the value of outstanding income had reduced to approximately £5,000.

In previous years the Authority required participating LPAs to complete quarterly returns showing the number and type of planning applications determined on its behalf. There was a requirement for the returns to be certified by the Chief Financial Officer of the LPAs. As planning activity data has been entered into the UNIFORM planning administration system directly by the LPAs directly in 2012/13 this control partially lapsed. You plan to re-introduce this control during 2013/14 and have retrospectively sought and obtained complete quarterly returns covering 2012/13 from each of the participating LPAs. You also plan to make a number of other improvements to arrangements in this area during 2013/14 to minimise the risk of recurrence of this issues experienced in 2012/13:

- ▶ from September 2013 you intend to change arrangements to ensure that the Authority directly receives and pays straight into its account all cheque payments received within the Park area; and
- ▶ from October 2013, you intend to empower the 11 participating LPAs to be able to accept payments by telephone and on-line to ensure that all payments made in this way also come directly to the Authority.

As a result of our work you have reduced the value of planning income shown in your financial statements by £22,000. This reduces your reported surplus for the year by £22,000.

Recommendation 1

Implement your planned improvements to arrangements in this area:

- ▶ re-introduce the requirement to produce CFO certified quarterly activity returns;
- ▶ ensure the Authority directly receives and pays straight into its account all cheque payments within the Park area; and
- ▶ empower the 11 LPAs determining day-to-day planning applications on behalf of the Authority to accept payments by telephone and on-line to ensure that all payments made in this way also come directly to the Authority.

Other financial statement risk:

Risk of misstatement due to fraud and error

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Our response and findings

Based on the requirements of auditing standards our approach focused on:

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management and internal audit about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

We identified no material misstatements or evidence of material fraud. Weaknesses in the control environment for planning fee income meant we were not able to fully rebut the presumption of fraud in revenue recognition. We therefore undertook additional substantive procedures to gain assurance in this area.

Summary of Audit Differences

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

Corrected Misstatements

Our audit did not identify any material misstatements, and only a relatively small number of presentation and disclosure amendments were required to the financial statements. You identified one material misclassification of the disclosure of debtors in the financial statements as part of work to produce the Whole of Government Accounts submission for the Authority. We have concluded that you continue to produce reasonable quality draft financial statements. The financial statements submitted for audit were in general supported by the working papers we requested and were compliant with the Local Authority Accounting Code of Practice (the Code). However, additional work was required to gain assurance over the value of planning income disclosed in the financial statements and we have made amendments in this area that have impacted on the Authority's reported out turn.

We highlight in particular the following misstatements identified during the course of our audit that have been corrected by management:

- ▶ Comprehensive Income and Expenditure Statement – Planning income was overstated by £22,000. The correction made to the financial statements has reduced your reported surplus for the year and required corrections to be made to a number of associated notes.
- ▶ Note 19 Officers' Remuneration – the note originally produced did not meet disclosure requirements of the Local Authority Accounting Code of Practice (the Code) and there were errors in the disclosure of staff numbers for 2011/12.
- ▶ Note 24 Debtors and Note 25 Creditors – Debtors totalling £572,000 were misclassified in the disclosure at Note 24. Creditors totalling £13,000 were misclassified in the disclosure at Note 25.

Uncorrected misstatements

All detected misstatements have been corrected.

Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. At national park authorities we are required to discharge our responsibility by:

- ▶ reviewing the annual governance statement;
- ▶ reviewing the results of the work of the Audit Commission and other relevant regulatory bodies or inspectorates, to consider its impact on the auditor's responsibilities at the audited body; and
- ▶ undertaking other local risk-based work as appropriate or any work mandated by the Commission.

In our Audit Plan we noted that during 2012/13 you have been subject to a peer review led and facilitated by SOLACE Enterprises. As part of our work we considered your response to that review and the progress made on the implementation of its recommendations. We also considered the changes and slippage in your 2012/13 capital programme.

Findings

We are satisfied that your annual governance statement is broadly consistent with our understanding of the Authority and governance issues arising in the year, and that there are no internal control or governance issues impacting on our value for money conclusion. We note, however, that the annual governance statement does not consider the weaknesses in the control environment for planning income and the remedial actions being taken by the Authority in 2013/14 to address those weaknesses.

We have considered the Authority's peer review report. The Authority has prepared an improvement plan which is based on both the recommendations of the review and other learning sources. We have considered the current version of the Authority's improvement plan and are satisfied that adequate progress is being made.

We have also considered the issue of slippage in the 2012/13 capital programme, which exclusively related to the South Downs Centre development. Although difficulties have been experienced in management of the development, weaknesses in initial arrangements have been recognised by the Authority and remedial action has been taken during the year. We also note that a review of the skills and expertise needed to manage capital works has been undertaken in accordance with an agreed action in the 2011/12 annual governance statement.

Control themes and observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal of internal control we are required to communicate to you significant deficiencies in internal control.

The matters reported below are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

In addition to the significant weaknesses highlighted in the control environment for planning income there is one other matter that we wish to draw to your attention. The Authority made the financial statements available for public inspection for 17 rather than 20 working days before the date appointed by the auditor as is required by section 9 of the Accounts and Audit Regulations 2011. We have considered this issue and are satisfied there was no significant impact on local electors' rights.

Recommendation 2

Ensure that the requirements of the Accounts and Audit Regulations in respect of local elector's rights to inspect the financial statements are fully met.

Progress update

Financial statement audit

Our audit work in respect of our opinion on the Council's financial statements is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

Item	Actions to resolve	Responsibility
Letter of representation	To be approved at the 24 September Standards and Audit Committee.	Management and Standards and Audit Committee.
Development expenditure	We are awaiting evidence to support one payment for development management work before we are able to conclude our work in this area.	Mike Bleakley, SDNPA Planning Services Development Lead

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the Authority's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

Economy, efficiency and effectiveness

Our work in respect of our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete.

We expect to present an unqualified value for money conclusion in regard to the Authority's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

Objections

We have not received any objections to the 2012/13 accounts from members of the public as at the date of this report.

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Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £	Planned fee 2012/13 £	Scale fee 2012/13 £'000
Total Audit Fee – Code work	14,558	12,058	12,058

We are proposing to bill £2,500 above the scale fee to reflect the additional work required to gain assurance on planning income disclosed in the financial statements. This fee is subject to consultation with the Audit Commission.

Fees for the auditor's consideration of correspondence from the public and formal objections are charged in addition to the scale fee.

Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Standards and Audit Committee on 24 September 2013.

Appendix A Communications with the Standards and Audit Committee

There are certain communications that we must provide to the Standards and Audit Committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	Audit results report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit results report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Understanding how those charged with governance gain assurance from management obtained via written communication from Chair of the Standards & Audit Committee.

Required communication	Reference
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report – no matters arising
External confirmations <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Not applicable
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Understanding how those charged with governance gain assurance from management obtained via written communication from Chair of the Standards & Audit Committee.
Independence Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and update in this report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report – no such concerns have been identified
Significant deficiencies in internal controls identified during the audit	Audit results report – deficiencies reported in the control environment for planning income

Required communication	Reference
Group audits	
<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Not applicable
Opening Balances	
<ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance of initial audits 	Audit results report – no significant issues identified
Fee reporting	
<ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work; certification of claims and returns; and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	Audit plan and Audit results report

Appendix B Request for a letter of representation

To: Catherine Vaughan, Chief Finance Officer

Dear Catherine

South Downs National Park Authority – 2012/13 financial year Request for a letter of representation

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

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

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

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).
2. That you acknowledge your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. You have approved the financial statements.
3. You confirm that as CFO you have:
 - ▶ reviewed the accounts;
 - ▶ reviewed all relevant written assurances relating to the accounts; and
 - ▶ made other enquiries as appropriate.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

5. That you believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

B. Fraud

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

C. Compliance with Laws and Regulations

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

D. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
 - ▶ access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
 - ▶ additional information that we have requested from us for the purpose of the audit; and
 - ▶ unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. That you have made available to us all minutes of the meetings of the Authority and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 24 September 2013.
4. That you confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Authority related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

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

E. Liabilities and Contingencies

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

F. Subsequent Events

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

G. Accounting Estimates

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

H. Retirement benefits

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

I. Segmental reporting

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

in each of the following respects:

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

J. Going Concern

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

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated on the proposed audit opinion date, on formal headed paper. The letter of representation should also be signed and dated by Norman Dingemans as Chair of the Standards & Audit Committee.

Yours sincerely

Helen Thompson
Director
Ernst & Young LLP
United Kingdom

EY | Assurance | Tax | Transactions | Advisory

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