



Walsall MBC  
Audit results report

Year ended 31 March 2018

24 July 2018

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y'.

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24 July 2018



Dear Audit Committee Members

We have substantially completed the audit of Walsall MBC for the year ended 31 March 2018.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

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

We would like to thank the staff of the Council for the assistance provided to us during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 24 July 2018.

Yours faithfully

Hassan Rohimun

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Walsall MBC in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Walsall MBC those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Walsall MBC for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

## Executive Summary

# Executive Summary

## Scope update

In our audit planning report presented at the February 2018 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan with no changes to note.

## Materiality update

In our Audit Committee Planning Report, we communicated that our audit procedures would be performed using a materiality of £14m. This level of materiality remains appropriate for the actual results for the financial year. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services. The threshold for reporting misstatements that have an effect on the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) is £0.7m.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

## Status of the audit

We have substantially completed our audit of Walsall MBC's financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit planning report. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Receipt of outstanding bank and investment confirmations
- Completion of Subsequent event review procedures
- Receipt of a signed letter of management representation
- Final review of the financial statements
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

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

## Executive Summary

### Audit differences

We identified two unadjusted audit differences in the draft financial statements which management have chosen not to adjust for. We ask that it be corrected or a rationale as to why it has not been corrected be approved by the Audit Committee and included in the Letter of Representation. The aggregated impact of the unadjusted audit difference is £1.989m. We agree with management's assessment that the impact is not material.

We have also noted audit differences with an aggregated impact of £37.518m which have been adjusted by management. Details can be found in Section 4 Audit Differences.

### Areas of audit focus

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

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

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

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

# Executive Summary

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## Control observations

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

During the audit, we identified no significant deficiencies in internal control and have no observations relating to management's financial processes and controls.

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified no significant risks in this area.

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

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. This work has not identified any issues. Our reporting will include reference to the unadjusted misstatements within the financial statements as summarised in section 4.

## Independence

Please refer to Section 8 for our update on Independence.



02

## Areas of Audit Focus





## Areas of Audit Focus

### Significant risk

#### Risk of fraud in revenue and expenditure recognition

##### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Having considered the factors for expenditure recognition, we believe the risk is focused on the year-end balance sheet and in particular the completeness and valuation of creditors and the existence and valuation of debtors. We also believe the risk is linked to the existence of capital expenditure arising from the potential to incorrectly capitalise revenue expenditure.

##### What did we do?

- § We documented our understanding of the processes and controls in place to mitigate the risks identified, and walked through those processes and controls, confirming our understanding.
- § We identified and tested significant accounting estimates relating to pensions, accruals, asset valuation, depreciation, bad debts, airport valuation and provisions, confirming appropriateness and consistency with supporting records.
- § We sample tested material revenue and expenditure streams with a focus on assets and liabilities at the year-end and compliance with accounting policies.
- § We performed testing of revenue cut-off at the year-end.
- § We conducted testing to identify unrecorded liabilities at the year-end.
- § We tested the valuation of any provisions recorded in the financial statements and performed appropriate tests to consider whether all material provisions have been recognised.
- § We sample tested debtors and creditors.
- § We sample tested capital additions to identify any inappropriate capitalisation of revenue expenditure.

##### What are our conclusions?

Our testing has not identified any material misstatements with respect to revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions which may have indicated that the Council's financial position had been misreported.

There are no further matters to report to you.



## Areas of Audit Focus

### Significant risk

#### Risk of management override

##### What is the risk?

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

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

##### What did we do?

- We considered the nature and form of fraud risks as part of our audit planning, including direct inquiry of management about the risks of fraud and the controls put in place to address those risks. We also obtained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- We performed mandatory procedures, including testing of journal entries and other adjustments in the preparation of the financial statements.
- We performed substantive testing of a sample of manual journals that met specific risk criteria in order to understand their purpose and appropriateness.
- We reviewed and tested significant accounting estimates for evidence of management bias, including those related to pensions, accruals, asset valuation, depreciation, bad debts, airport valuation and provisions.
- We considered the existence of significant unusual transactions during the year, identifying only the purchase of the Saddlers Shopping Centre to test.
- We considered whether the results of testing relating to revenue and expenditure recognition indicated management override of controls.

##### What are our conclusions?

We have not identified any specific fraud risks other than that relating to fraud in revenue recognition that has already been identified as a significant risk.

We have not identified any material weaknesses in controls or evidence of material management override.

Through our testing of a sample of journals, we have not identified any matters to report to you.

We have not identified any instances of inappropriate judgements being applied or bias within significant accounting estimates. We have identified a material misstatement relating to the IAS 19 pension estimates underpinning the pension liability on the balance sheet. More detail on this is included on page 12.

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business, other than the purchase of the Saddlers shopping centre. Testing in this area did not identify any matters to report to you.



## Areas of Audit Focus

### Significant risk

#### Valuation of Property, Plant & Equipment

##### What is the risk?

During the year the Council has carried out a revaluation exercise involving an external firm of valuers. The valuer must follow the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. This process incorporates significant judgements.

The assets that fall within this risk are those that are held at fair value, being:

- Operational Land & Buildings
- Surplus Assets (if material in 2017/18)
- Investment Properties (if material in 2017/18)

All other classes of assets, as set out in the Council's accounting policies, are held at historic cost.

##### What did we do?

- We evaluated the competence, capabilities and objectivity of management's specialist.
- We reviewed terms of engagement and instructions issued to the valuer to ensure these were consistent with accounting standards.
- We engaged our internal valuation specialists to support our testing strategy and help evaluate the work of the Council's valuer.
- We performed appropriate tests over the completeness and appropriateness of information provided to the valuer.
- We reviewed the classification of assets and considered whether the correct valuation methodology has been applied.
- We sample tested revalued assets to confirm consistency with the report of the valuer and that the appropriate accounting treatment had been applied within the financial statements.

##### What are our conclusions?

Review of the work of the external valuer including their capabilities and objectivity, assumptions and approach followed has not identified any issues.

Review of the valuation approach and a sample of assets revalued during the year by internal EY experts has confirmed that valuations are based on an acceptable approach with reasonable assumptions resulting in valuations that are within an acceptable range.

We have confirmed that the accounting entries to reflect the revaluation have been appropriately made and disclosed within the financial statements and are consistent with the revaluation report.

We have identified that the Council were provided with a valuation as at 1 April 2017 and a further valuation as at 31 March 2018. The Council has applied the valuation as at 1 April 2017 within the financial statements. Given the availability of the 31 March 2018 valuation, it would be appropriate for the financial statements to reflect this amount. As such we have identified an understatement of £0.865m.

In addition we have identified that surplus land valued at £1.1m has not been included in the financial statements.

Following discussion, management have chosen not to adjust for these matters and we have included them as unadjusted differences in section 4.

Going forward we recommend that the Council obtain asset valuations as close to the balance sheet date as possible in order to demonstrate that asset values are materially correct at the year-end.



## Areas of Audit Focus

### Other risk

#### Pension liability valuation

##### What is the risk?

The Council is a member of the Local Government Pension Scheme (LGPS), administered locally by Wolverhampton City Council. As at 31 March 2018, the net pension liability is £544 million.

The estimation of the defined benefit obligations is sensitive to a range of assumptions, such as mortality, the rate of inflation, salary increases, pension changes and discount rates. The extent of judgement required, and resulting significant impact this has on the value in the balance sheet, means it is an area for additional audit focus.

##### What did we do?

- We engaged an expert to review the assumptions and estimates used by the fund Actuary for reasonableness.
- We considered the independence and expertise of the fund Actuary.
- We performed appropriate tests to obtain assurance over the information provided to the actuary.
- We obtained assurance from the pension fund auditor that proper arrangements are in place to support and administer the fund.
- We reviewed the pension fund disclosures in the financial statements to confirm consistency with the report of the Actuary and that accounting treatment is in line with IAS 19 and CIPFA Code.

##### What are our conclusions?

Our internal expert has confirmed that the assumptions used by the actuary are consistent with their expectations and within acceptable ranges. We have not been made aware of any concerns relating to the administration of the pension fund and no matters have been brought to our attention from the procedures carried out by the auditor of the pension fund.

In considering the estimates used by the actuary in preparation of the IAS 19 entries for the Council, we identified that the estimated value of the pension fund assets at 31 March 2018 was understated by £467m. Walsall Council's share of this difference was calculated to be £28m.

Given the material nature of this identified difference the Council has obtained a revised IAS 19 valuation from the actuary. The impact of the revised valuation is to reduce the pension liability on the Balance Sheet by £27.7m. Management have adjusted the financial statements to correct for this and we have performed relevant audit procedures to confirm that the IAS 19 entries within the financial statements are fairly stated and in line with the revised report from the actuary.





## Areas of Audit Focus

### Other risk

#### Valuation of Birmingham Airport shareholding

##### What is the risk?

The Council owns 4.88% of Birmingham Airport Holdings 320 million ordinary shares, valued at £23 million at 31 March 2018. The fair value calculation involves a specialist model that contains management judgement and estimates that have a direct impact on the value recorded in the financial statements. As a result it is an area that requires additional audit focus to ensure the balance sheet is not materially misstated.

##### What did we do?

- Engaged internal EY experts to assist in our review of the valuation methodology.
- We confirmed accounting entries are in line with the valuation model.

##### What are our conclusions?

Based on the findings of the internal EY review of the valuation methodology, we have assurance that the valuation methodology and underpinning assumptions are reasonable and within an acceptable range and that the valuation of the shareholding in Birmingham Airport Holdings Limited is not materially misstated.



# Areas of Audit Focus

## Other findings



### Other findings

During the course of our audit of the financial statements we have performed procedures over other material balances and transactions in addition to the risk areas identified above.

We have the following findings to report:

#### Classification of debtors

##### Finding

Testing of a sample of year-end debtors has identified a number of NHS debtors that have been incorrectly classified as 'Other entities and individuals' within note 34. Following review, we have identified a total of £6.35m of NHS debtors that have been included within this category of debtors.

##### Conclusion

Following discussion with management, an adjustment has been made to re-classify the balance identified above to NHS bodies within note 34. There is no impact on the total amount of debtors reported in the note or Balance Sheet.

#### Financial Instruments

Our review of the financial instruments disclosure at note 32 has identified that a number of assets and liabilities that do not meet the definition of financial instruments have been incorrectly included. The value of the incorrect classification is that financial instrument assets have been overstated by £4.117m and financial instrument liabilities have been overstated by £5.118m.

##### Conclusion

Following discussion with management, an adjustment has been made to re-classify the amounts identified above to be designated as non-financial instrument balances. Comparative figures have also been restated to support comparability.



## Areas of Audit Focus

### Other matters

#### IFRS 15 implementation

The 2018/19 Code adopts IFRS15 without adaptation. The scope includes:

- all contracts with customers except leases, financial instruments and insurance contracts; and
- excludes Council Tax and NDR income

Application date is 1 April 2018. We have reviewed the requirements of the 2018/19 Code and given the nature of the Council's income streams, it is unlikely that the future implementation of IFRS 15 will have a material impact on the single entity financial statements.

Management have reviewed income streams against IFRS 15 requirements and have not identified any areas that would be impacted by the new standard. This position will continue to be reviewed by management on an annual basis including discussion with auditors.



## 03 Audit Report





# Audit Report

## Draft audit report

### Our opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WALSHALL METROPOLITAN BOROUGH COUNCIL

##### Opinion

We have audited the financial statements of Walsall Metropolitan Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- Related notes 1 to 46 and
- The Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Walsall Metropolitan Borough Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

##### Basis for opinion

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

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

##### Conclusions relating to going concern

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

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



# Audit Report

## Our opinion on the financial statements

### Other information

The other information comprises the information included in the Financial Report for 2017/18 set out on pages 5 to 26, other than the financial statements and our auditor's report thereon. The Executive Director – Resources and Transformation is responsible for the other information.

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

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

We have nothing to report in this regard.

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

#### Arrangements to secure economy, efficiency and effectiveness in the use of resources

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

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects



# Audit Report

## Our opinion on the financial statements

### Responsibility of the Executive Director – Resources and Transformation

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 25, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Walsall Metropolitan Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Walsall Metropolitan Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Walsall Metropolitan Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



# Audit Report

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## Our opinion on the financial statements

### Certificate

We certify that we have completed the audit of the accounts of Walsall Metropolitan Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Walsall Metropolitan Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.





04

## Audit Differences



## Audit Differences

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

### Summary of adjusted differences

We highlight the following misstatements greater than £0.7m which have been corrected by management that were identified during the course of our audit

- Before the start of the audit, the Council identified that £9.829m relating to Department of Education Grant Income for 2018/19 paid in advance has incorrectly been recognised in as income in 2017/18. The correction for this does not impact the general fund and we report this client identified issue for completeness.
- The pension liability on the Balance Sheet has reduced by £27.7m following receipt of a revised IAS 19 valuation reflecting the impact of the actual value of total pension fund assets at 31 March 2018 versus the previous estimated value.
- The total number of exit packages reported was overstated by 1. There is no impact on the reported value of exit packages agreed in the year.
- Within note 34, £6.35m of amounts due from NHS bodies were incorrectly classified as amounts due from ‘Other entities and individuals.’
- £4.117m of debtors and £5.118m of creditors were incorrectly identified as financial instruments in note 32.



# Audit Differences

## Summary of unadjusted differences

We highlight the following difference within the financial statements which was not corrected by management. We request that the rationale as to why it has not been corrected to be considered and approved by the Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 31 March 2018 (£000)	Effect on the current period:	Balance Sheet (Decrease)/Increase				Reserves Debit/ (Credit) £'000
		Comprehensive income and expenditure statement Debit/(Credit) £'000	Assets current Debit/ (Credit) £'000	Assets non current Debit/ (Credit) £'000	Liabilities current Debit/ (Credit) £'000	
Factual differences						
<ul style="list-style-type: none"> <li>To adjust PPE to reflect the value of surplus land not included within the financial statements</li> </ul>	-	-	1,124	-	-	(1,124)
Judgemental differences:						
<ul style="list-style-type: none"> <li>To adjust PPE to reflect the valuation provided as at 31 March 2018</li> </ul>	-	-	865	-	-	(865)
Balance sheet totals	-	-	1,989	-	-	(1,989)
Income effect of uncorrected misstatements (before tax)	-	-	-	-	-	-

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2018.





05

# Value for Money Risks





## Background

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

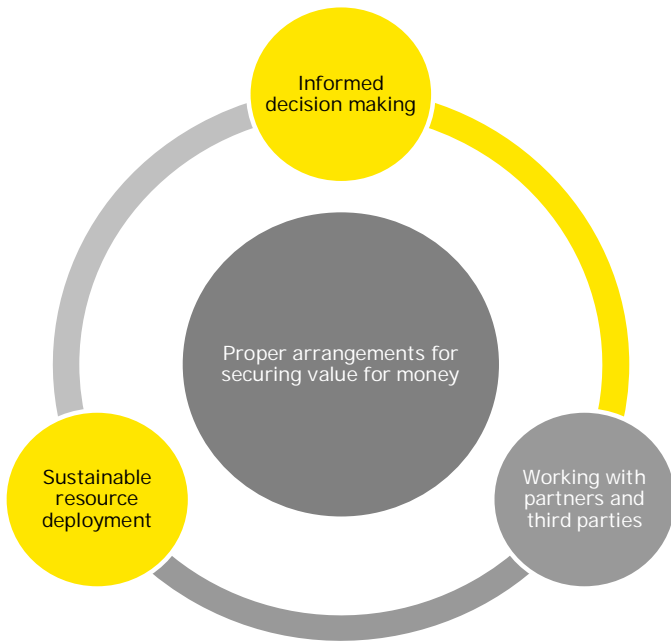
For 2017/18 this is based on the overall evaluation criterion:

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

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

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

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



## Overall conclusion

We did not identify any significant risks around these criteria.

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

Looking forward the challenge for the Council remains significant with £43 million of savings required during the period 2018-19 to 2021. The Council is currently working on a Transformation Programme to secure sustainable and resilient service delivery to meet future needs and to deliver the required medium term savings. Action will be required by Members of the Council to ensure the objectives of the Transformation programme are delivered or if relevant mitigating plans are developed.





## 06 Other reporting issues





## Other reporting issues

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

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

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

Financial information in the Financial Report for 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

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

We have not identified any issues in performing the specified procedures. Our reporting will include reference to the unadjusted misstatements identified as part of our audit of the financial statements.

### Other powers and duties

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

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

# Other reporting issues

### Other matters

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

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Significant difficulties, if any, encountered during the audit;
- Other matters if any, significant to the oversight of the financial reporting process, including the strengths and weaknesses of the finance function and the quality of the financial statement preparation process.
- Significant matters, if any, arising from the audit that were discussed with management;
- Written representations we are seeking;
- Expected modifications to the audit report;
- Other matters if any, significant to the oversight of the financial reporting process;
- Related parties;
- External confirmations;
- Use of auditor's external specialists
- Going concern; and
- Consideration of laws and regulations, including any significant matters involving actual or suspected non-compliance with laws and regulations which were identified in the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks.

There are no matters to report to you in respect of the above areas other than as included in the body of the report.

A blurred office desk with a laptop, papers, and glasses of water. The scene is brightly lit, likely from a window with blinds in the background. The focus is on the foreground elements, which are slightly out of focus, creating a sense of depth. The overall atmosphere is professional and clean.

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## Assessment of Control Environment



# Assessment of Control Environment

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## Financial controls

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

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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





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Independence

## Confirmation



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

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 24 July 2018.



# Independence



## Relationships, services and related threats and safeguards



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

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity

### Services provided by Ernst & Young

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

We confirm that none of the services have been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

# Independence

## Fee analysis

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

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

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee – Code work	142,853	142,853	142,853	142,853
Non-audit work – Housing Benefit grant certification	TBC*	14,087	14,087	14,408
Total fees	TBC	156,940	156,940	157,261

\*The final fee for 2017/18 Housing Benefit grant certification will be reported once the work is complete.



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## Appendices





## Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:




- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

## Appendix A

Balance sheet category 	Audit Approach in current year 	Audit Approach in prior year 	Explanation for change 
Property, plant and equipment	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Heritage assets	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Investment property	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Long term investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Short term investments	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Short term debtors	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Cash and cash equivalents	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Short term borrowing	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Short term creditors	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Provisions	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Long term borrowing	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Other long term liabilities	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a
Reserves	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/a

## Appendix B

# Summary of communications

Date 	Nature 	Summary 
10 October 2018	Meeting	The partner in charge of the engagement, along with the engagement manager, met with the management as part of a quarterly update where initial audit planning was discussed.
February 2018	Report	The audit planning report, including confirmation of independence, was issued to the audit committee.
19 February 2018	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the audit planning report.
10 July 2018	Meeting	The partner in charge of the engagement, along with the engagement manager, met with the Chair of the Audit Committee to provide a briefing update on audit progress and findings.
12 July 2018	Meeting	Audit close meeting with the management team to discuss the findings of the audit.
13 July 2018	Report	The audit results report, including confirmation of independence, was issued to the audit committee.
24 July 2018	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the audit committee and senior members of the management team to discuss the audit results report.




In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.







## Appendix C

# Required communications with the Audit Committee




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

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

# Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> <li>• A declaration of independence</li> <li>• The identity of each key audit partner</li> <li>• The use of non-member firms or external specialists and confirmation of their independence</li> <li>• The nature and frequency of communications</li> <li>• A description of the scope and timing of the audit</li> <li>• Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits</li> <li>• Materiality</li> <li>• Any going concern issues identified</li> <li>• Any significant deficiencies in internal control identified and whether they have been resolved by management</li> <li>• Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee</li> <li>• Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof</li> <li>• The valuation methods used and any changes to these including first year audits</li> <li>• The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework</li> <li>• The identification of any non-EY component teams used in the group audit</li> <li>• The completeness of documentation and explanations received</li> <li>• Any significant difficulties encountered in the course of the audit</li> <li>• Any significant matters discussed with management</li> <li>• Any other matters considered significant</li> </ul>	<p>Audit planning report February 2018 and Audit results report July 2018</p>





## Appendix C

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




# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	Audit results report July 2018
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> <li>• Relationships between EY, the council and senior management, its affiliates and its connected parties</li> <li>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>• Related safeguards</li> <li>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> </ul>	Audit planning report February 2018 and Audit results report July 2018

# Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
	<ul style="list-style-type: none"> <li>• Details of any inconsistencies between the Ethical Standard and Council's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>• Details of any contingent fee arrangements for non-audit services</li> <li>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>• The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit results report July 2018 We have yet to receive all confirmations requested as noted in the executive summary
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>• Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit results report July 2018 We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report July 2018

## Appendix C

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



# Management representation letter

## Management Rep Letter

This letter of representations is provided in connection with your audit of the financial statements of Walsall Metropolitan Borough Council ("the Council") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Walsall Metropolitan Borough Council as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because the requested adjustment represents less than 0.2% of the PPE balance at the year end and would not alter the view of a reader of the financial statements.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

# Management representation letter

## Management Rep Letter

3. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

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

1. We have provided you 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;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and 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.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we 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. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### D. Liabilities and Contingencies

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

# Management representation letter

## Management Rep Letter

### E. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Preface and Narrative Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### G. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### H. Use of the Work of a Specialist

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

### I. Retirement benefits

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

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