

# 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).

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 September 2015)" 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 Corporate Governance and Audit Committee, other members of the Authority and management of Chichester District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance and Audit Committee other members of the Authority and management of Chichester District Council 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 Corporate Governance and Audit Committee other, other members of the Authority and management of Chichester District Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.





### **Executive Summary**

# **Executive summary**

Overview of the audit

### Scope and materiality

In our Audit Plan presented to the March 2017 Corporate Governance and Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £1,481k. We reassessed this using the actual year-end figures, which have increased this amount to £1,492k. The threshold for reporting audit differences has increased from £74k to £75k. The basis of our assessment of materiality has remained consistent with our Audit Plan at 2 % of gross revenue expenditure.

### Status of the audit

We have substantially completed our audit of Chichester District Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- completion of our review and sign off;
- finalisation of audit procedures to:
  - o Property, Plant and Equipment and Investment Property valuation;
  - car parking income;
  - debtors and creditors;
  - o the NDR appeals provision;
  - the notes to the Expenditure Funding Analysis; and
  - o the Narrative Statement.
- review of the final version of the financial statements;
- completion of subsequent events review; and
- receipt of the signed management representation letter.



### **Executive Summary**

# Executive summary (continued)

### Status of the audit (continued)

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

### Objections

We have received no objections to the 2016/17 accounts from members of the public.

#### Audit differences

We identified no audit differences in the draft financial statements which management has chosen not to adjust.

We have also identified one audit difference to a note in the financial statements which has been adjusted by management and is of sufficient size to report to you. Details can be found in Section 4 Audit Differences. In addition, we are currently finalising our audit procedures on the valuation of Property, Plant and Equipment. We are in discussions with the Council on the methodology adopted to value three of it's leisure centres. We have agreed that the methodology needs to be refined and are currently working to agree the necessary amendments to the financial statements. These amendments will have no impact on the Council's general fund balance or budgeting. We will provide the Committee a verbal update on the resolution of this matter.

### Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Chichester District Council's financial statements. This report sets out our observations and conclusions. 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; and
- · 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 Committee.



# **Executive Summary**

# Executive summary (continued)

### 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 Plan we identified no significant risks. We have revisited this assessment and considered the wider results of our other audit procedures; we identified no significant risks.

On completion of our work, 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 Authority. We have no matters to report as a result of this work.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We have no issues to report.

We have no other matters to report.

#### Control observations

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.

We would like to take this opportunity to thank management and the staff at Chichester District Council for their assistance over the period of the audit.

### Independence

Please refer to Appendix B for our update on Independence. There are no issues that we need to report.

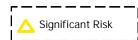




### Areas of Audit Focus

# Audit issues and approach: Risk of management override

Management override



### What is the risk?

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 tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We reviewed accounting estimates for evidence of management bias.

We evaluated the business rationale for significant unusual transactions.

We evaluated the appropriateness of accounting policies against Code guidance and for changes from the prior period.

#### What are our conclusions?

We have not identified any evidence of management override. We did not identify any errors in the financial statements or indications of fraud. We did not identify any inappropriate journal entries (or other adjustments) that impacted on the financial statements.

We have not identified any instances of inappropriate judgements being applied in making estimates.

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.

We did not identify any inappropriate changes to accounting policies or deviations from Code guidance.



# Audit issues and approach: Valuation of PPE and Investment Properties



#### Accounting for Property, Plant and Equipment

Property, Plant and Equipment and Investment Properties represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council engages an internal expert valuer who applies a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

This risk relates to assets that are revalued, being: PPE Land and Buildings, surplus assets and Investment Properties. Vehicles, plant and equipment, infrastructure assets and community assets are held at cost.

Our approach has focused on:

- consideration of the work performed by the Council's internal valuer including the adequacy of the scope of the work performed, objectivity, professional capability and the results of their work:
- testing a sample of recalculations processed on the fixed asset register to individual valuation certificates;
- consideration of the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and confirmed (if relevant) that these had been communicated to the valuer;
- review of the work performed by management over assets not subject to valuation in 2016/17 to confirm that the remaining asset base is not materially misstated;
- consideration of whether or not external evidence of fluctuations in assets values gives any indication of material variances to the asset valuations performed by the internal valuer (through reference to the Local Government Gerald Eve report commissioned by the National Audit Office for auditor use);
- consideration of whether all asset categories, including those held at cost, had been assessed for impairment and are materially correct; and
- testing that the accounting entries have been correctly processed in the financial statements, including the treatment of any impairments.

We are currently finalising our audit procedures in this area and will provide a verbal update to the Corporate Governance and Audit Committee.

To date there has been one material matter arising, relating to the methodology adopted by the Council to value three of its leisure centres. We have agreed that the methodology needs to be refined and are currently working to agree the necessary amendments to the financial statements. These amendments will have no impact on the Council's general fund balance or budgeting. We will provide the Committee a verbal update on the resolution of this matter.



# Audit issues and approach: Pension Valuations and Disclosures



#### Pension Valuations and Disclosures

The Code and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £4.313 million (£4.130 million at 31 March 2016).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- liaising with the audit engagement team and Executive Director of the West Sussex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to West Sussex County Council;
- assessing the conclusions drawn on the work and assumptions used by Hymans Robertson (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, PwC; and
- reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

No issues have been identified in completing our work. Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in Note 33 to the financial statements.





### Audit Report

# Draft audit report

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHICHESTER DISTRICT COUNCIL

Opinion on the Authority's financial statements

We have audited the financial statements of Chichester District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- · Comprehensive Income and Expenditure Statement,
- Balance Sheet.
- Cash Flow Statement,
- the related notes 1 to 37, and
- Collection Fund and the related notes 1 to 3.

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 2016/17.

This report is made solely to the members of Chichester District 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.

Respective responsibilities of the Head of Finance and Governance Services and auditor

As explained more fully in the Statement of the Head of Finance and Governance Services' Responsibilities set out on page 17, the Head of Finance and Governance Services 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Head of Finance and Governance Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of



### Audit Report

Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Chichester District Council as at 31 March 2017 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 2016/17.

### Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Conclusion on Chichester District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

### Authority's responsibilities

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

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



### **Audit Report**

securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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 2016, as to whether Chichester District 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 C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Chichester District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, Chichester District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Chichester District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

#### Certificate

We certify that we have completed the audit of the accounts of Chichester District 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.

Paul King for and on behalf of Ernst & Young LLP, Appointed Auditor Southampton XX September 2017

The maintenance and integrity of the Chichester District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





### **Audit Differences**

### Audit differences

In any audit, we may identify misstatements between amounts we believe <u>should</u> be recorded in the financial statements and disclosures and amounts <u>actually</u> 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 report to you all changes greater than £1,119k relating to Chichester District Council below.

The only corrected misstatement of this magnitude relates to the reclassification of the Authority's expenditure and income analysed by nature in Note 6. These adjustments impacted this note only.

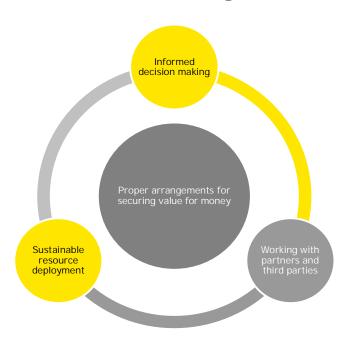
In addition, we are currently finalising our audit procedures on the valuation of Property, Plant and Equipment. We are in discussions with the Council on the methodology adopted to value three of its leisure centres. We have agreed that the methodology needs to be refined and are currently working to agree the necessary amendments to the financial statements. These amendments will have no impact on the Council's general fund balance or budgeting. We will provide the Committee a verbal update on the resolution of this matter.

### Summary of unadjusted differences

There are no unadjusted audit differences.



# Value for Money



### Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

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

- take informed decisions;
- · deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

### Overall conclusion

We identified no significant risk to these arrangements.

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

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as: "A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public" Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.





### 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 Statement of Accounts 2016/17 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 Statement of Accounts 2016/17 and published with the financial statements is 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 no issues to raise.

### 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 reporting issues

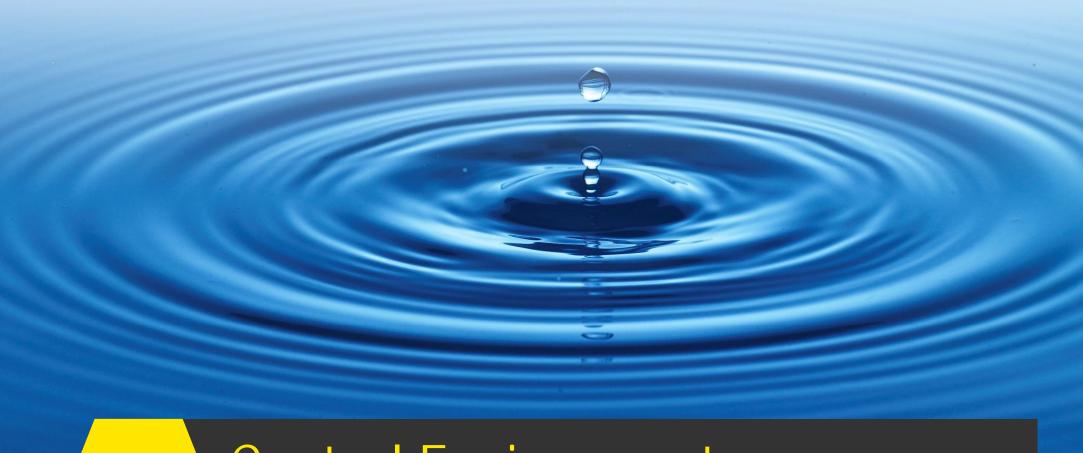
### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- · Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- · Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- · Consideration of laws and regulations; and
- Group audits.

We have no matters to report.





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Control Environment observations

### Assessment of Control Environment

### Control environment observations

#### Financial controls

It is the responsibility of the Authority 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 Authority 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. 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.





# Appendix A

# Required communications with the Corporate Governance and Audit Committee

There are certain communications that we must provide to the audit committees of UK clients. We have done this by:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Corporate Governance and 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.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	March 2017 Audit Plan
Significant findings from the audit	<ul> <li>Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Any significant difficulties encountered during the audit</li> <li>Any significant matters arising from the audit that were discussed with management</li> <li>Written representations we have requested</li> <li>Expected modifications to the audit report</li> <li>Any other matters significant to overseeing the financial reporting process</li> </ul>	September 2017 Audit Results Report
Going concern	<ul> <li>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</li> <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>	No conditions or events were identified, either individually or together to raise any doubt about Chichester District Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul> <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>▶ Significant corrected misstatements, in writing</li> </ul>	September 2017 Audit Results Report



		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul> <li>Asking the Corporate Governance and Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving:         <ul> <li>(a) management;</li> <li>(b) employees with significant roles in internal control; or</li> <li>(c) others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>A discussion of any other matters related to fraud, relevant to Governance Committee responsibility.</li> </ul>	We have asked management and the Chairman of the Corporate Governance and Audit Committee about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:  ► Non-disclosure by management  ► Inappropriate authorisation and approval of transactions  ► Disagreement over disclosures  ► Non-compliance with laws and/or regulations  ► Difficulty in identifying the party that ultimately controls the entity	We have no matters to report.
Subsequent events	▶ Where appropriate, asking the Corporate Governance and Audit Committee whether any subsequent events have occurred that might affect the financial statements.	We have asked management and those charged with governance. We have no matters to report.
Other information	▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.	We have no matters to report.
External confirmations	<ul> <li>Management's refusal for us to request confirmations</li> <li>We were unable to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations.
Consideration of laws and/or regulations	<ul> <li>Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off"</li> <li>Asking the Corporate Governance and Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Corporate Governance and Audit Committee.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or noncompliance with laws and regulations.



# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	► Significant deficiencies in internal controls identified during the audit.	September 2017 Audit Results Report
Independence	Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.  Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:  The principal threats  Safeguards adopted and their effectiveness  An overall assessment of threats and safeguards  Information on the firm's general policies and processes for maintaining objectivity and independence  Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,	March 2017 Audit Plan September 2017 Audit Results Report
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	March 2017 Audit Plan September 2017 Audit Results Report
Certification work	Summary of certification work	Certification Report (due later this year)



# Appendix B

# Independence



We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan taken to the March 2017 Corporate Governance and Audit Committee.

We complied with the APB 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 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 Corporate Governance and Audit Committee on 28 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

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

	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee - Code work	49,090	49,090	49,090	49,090
Certification of claims and returns	9,913	9,913	7,847	7,847
Total	59,003	59,003	56,937	56,937



# Appendix C

# Looking forward - Early close in 2017/18

Name	Summary of key measures	Impact on Chichester District Council
Earlier statutory deadline for production and audit of the financial statements from 2017/18	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	These changes provide challenges for both the preparers and the auditors of the financial statements.  As auditors, nationally we have:  Issued a thought piece on early closedown;  As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales; and  Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017.  This clearly represents a significant challenge.  Moving forward, we will need to continue to work together collaboratively to ensure we deliver to these timescales.  We have arranged a meeting between management and the audit team for October 2017 to commence planning the 2017/18 audit.



# Draft management representation letter

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young

Wessex House 19 Threefield Lane Southampton SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements *of* Chichester District Council ("the Council") for the year ended 31<sup>st</sup> March 2017. 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 Chichester District Council as of 31<sup>st</sup> March 2017 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- 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 2016/17 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 2016/17 that are free from material misstatement, whether due to fraud or error.
- 5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

#### B. Fraud

- 1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- 2. 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.
- 3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we 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. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.
- C. Compliance with Laws and Regulations
- 1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- D. Information Provided and Completeness of Information and Transactions
- 1. 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.
- 2. 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, the Cabinet, the Corporate Governance and Audit Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period 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 period 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.

### E. 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 in Notes 19 or 37 to the financial statements all guarantees that we have given to third parties.

### F. Subsequent Events

1. Other than matters described in Note 7 to 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. Other information

- 1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
- 2. We confirm that the content contained within the other information is consistent with the financial statements.
- H. Comparative information corresponding financial information
- 1. Comparative amounts have been restated as a result of CIPFA's 'Telling the Story' review to improving the presentation of local authority financial statements.

The comparative amounts have been correctly restated to reflect the above matter and appropriate disclosure of this restatement has also been included in the current year's financial statements.

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

1. We agree with the findings of the specialists that we engaged to evaluate valuation of property, plant and equipment, and the pension fund liability 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.

#### J. Estimates

- 1. We believe that the measurement processes, including related assumptions and models, used to determine accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
- 2. We confirm that the significant assumptions used in making accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
- 3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
- 4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

#### K. Retirement benefits

Yours faithfully,

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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Head of Finance and Gove	rnance Services
Chairman of the Corporate	e Governance and Audit Committee

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