

5. AUDIT RESULTS REPORT 2012/13

REPORT OF: Head of Finance, ICT and HR
Contact Officer: Peter Stuart
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Wards Affected: All
Key Decision: No
Report to: Audit Committee
24th September 2013

Purpose of Report

1. This report introduces the auditors' 'Audit Results Report' and provides some context for Members consideration.

Summary

2. The auditors have given the accounts an unqualified opinion and offered a positive statement on the Council's Value for Money and financial preparedness.

Recommendations

3. **That the report be received.**
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Background

4. The Audit Results Report gives the Council the auditor's opinion on both the financial statements and the arrangements to secure Value for Money. It is the key document arising from the annual audit and is to be read by 'those charged with governance' as well as being a public document for all stakeholders.
5. The opinion from the audit of the financial statements is unqualified. This is a very positive statement and shows that the statements offer a true and fair view of the authority's financial position for 2012/13.
6. Members will note that this being the first year of the audit being performed by Ernst and Young, there have been some teething issues around providing working papers in the format and structure required by the new personnel. These were swiftly overcome and only minor delays occurred in their resolution. We anticipate that next year will prove to be a smoother process to the benefit of both parties.
7. Members will also note that some alterations to the accounts have been made subsequent to the audit. These were minor in nature and do not materially change the Financial Statements of the authority.
8. The External Auditor will attend the meeting to present her report and answer Member's questions and its income and expenditure for the year ended 31st March 2013.
9. Members should also note the contents of the 'Letter of Representation' to be signed by the Chairman subsequent to the meeting.

Policy Context

10. Receiving the report enables the Council to fulfil its statutory obligations.

Other Options Considered

11. None.

Financial Implications

12. This report has no financial implications.

Risk Management Implications

13. None.

Equality and Customer Service Implications

14. This report has no such implications.

Other Material Implications

15. This report has no such implications.

Background Papers

None.

Mid Sussex District Council

Audit results report for the year ended 31 March 2013

September 2013

Ernst & Young LLP





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working world

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INVESTOR IN PEOPLE

Audit Committee
Mid Sussex District Council
Oaklands Road
Haywards Heath
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16 September 2013

Dear Sirs

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Audit Committee. This report summarises our preliminary audit conclusion in relation to Mid Sussex District Council's (the Authority's) financial position and results of operations for 2012/13. We will issue our final conclusion after the Audit Committee scheduled for 24 September 2013.

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

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

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

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

Yours faithfully
For and on behalf of Ernst & Young LLP

Helen Thompson
Ernst & Young LLP
United Kingdom
Enc.

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

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

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

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

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

1. Overview of the financial statement audit

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

As auditors we are responsible for:

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

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

Financial statements

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

Other financial statement risks:

Bank reconciliation

- | | |
|---|--|
| <ul style="list-style-type: none"> ▶ In previous years the bank reconciliation had contained balancing items. Officers have been working to improve the reconciliation, and were exploring further improvement options to reduce the risk of error from manual and time consuming processes. | <ul style="list-style-type: none"> ▶ The bank reconciliation was fully reconciled for the year end. |
|---|--|

Pension liability

- | | |
|--|---|
| <ul style="list-style-type: none"> ▶ In 2012/13 the Authority included employees of Freedom Leisure within its the Pension (IAS19) liability, on the basis that in its view the terms of the contract required the pension liability to stay with the Council. There were weaknesses in the arrangements to Authority the actuary with accurate and timely pension contribution information that officers were seeking to improve | <ul style="list-style-type: none"> ▶ The Authority improved the arrangements for ensuring Freedom Leisure information was provided to the pension fund administering body. |
|--|---|

Risk of misstatement due to fraud and error

- | | |
|--|--|
| <ul style="list-style-type: none"> ▶ Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk. | <ul style="list-style-type: none"> ▶ We undertook procedures required by auditing standards, and have no issues to report to you. |
|--|--|

Accounting for CenSus

- | | |
|--|--|
| <ul style="list-style-type: none"> ▶ The Authority identified that in previous years it has not accounted for its participation in the CenSus partnership correctly | <ul style="list-style-type: none"> ▶ We reviewed working papers provided with the Authority's conclusion that a prior period adjustment was required. ▶ We reviewed the accounting within the 2012/13 financial statements, and have no matters to report. |
|--|--|

Economy, efficiency and effectiveness

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

Whole of Government accounts

We have yet to complete the work required to issue our report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts (WGA).

Officers have made changes to the financial statements following our audit, but have decided not to make the equivalent changes to the WGA submission. Therefore, we currently expect to report an inconsistency in the carrying value of property, plant and equipment of £28,000.

Control themes and observations

Our audit identified no control issues that we need to bring to your attention.

Summary of audit differences

Our audit identified a number of misstatements in the accounts presented for audit, as summarised below.

-
- ▶ There are no uncorrected misstatements.
 - ▶ Management have corrected misstatements identified during the audit. None were material to the financial statements, and these adjustments have not impacted on the General Fund or other useable reserves.
-

2. Scope

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan that we issued on 1 March 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

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

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

3. Significant findings from the financial statement audit

In this section of our report, we outline the main findings from our audit of your financial statements, including our conclusions in relation to the areas of risk outlined in our Audit Plan.

Our main findings in relation to the areas of risk included in our Audit Plan are set out below.

Bank reconciliation

In previous years the bank reconciliation had contained balancing items.

Officers have been working to improve the reconciliation, and were exploring further improvement options to reduce the risk of error from manual and time consuming processes.

The year end bank reconciliation was fully reconciled, with no balancing items.

Pension liability

In 2012/13 the Authority included employees of Freedom Leisure within its Pension (IAS19) liability, on the basis that in its view the terms of the contract required the pension liability to stay with the Authority.

There were weaknesses in the arrangements to provide the actuary with accurate and timely pension contribution information that officers were seeking to improve.

The Authority improved the arrangements for ensuring Freedom Leisure information was provided to the pension fund administering body.

Working together with the administering body, there was adequate challenge over the accuracy of the submission.

Risk of misstatement due to fraud and error

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

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

We undertook procedures required by auditing standards, outlined in our Audit Plan.

We have no issues to report to you.

Accounting for CenSus

The Authority identified that in previous years it has not accounted for its participation in the CenSus partnership correctly

We reviewed working papers provided by the Authority to establish the impact of the error in prior years, and agreed with its judgements regarding the inclusion of prior period adjustments.

We reviewed the accounting within the 2012/13 financial statements, and have no matters to report.

Other issues

Finding	Ernst & Young comments
<p>The working papers provided in support of the financial statement could be improved to aid audit efficiency and reduce the amount of officer time in responding to audit queries.</p> <p>We were provided a disk of working papers, but it lacked structure or clear referencing as to how they related to the draft financial statements presented for audit. There were also some working papers missing from those we had expected following a meeting with the key finance contacts in March 2013.</p> <p>In some cases the contents were ledger downloads, which did not explain how they linked with other sources to support the figures in the accounts.</p> <p>As a result, the audit took longer on-site and took up more of your officer's time in providing explanations than should have been necessary.</p>	<p>An investment of time before the audit site visit commences should achieve efficiencies for both our audit team, and your officers. Specific improvements include:</p> <ul style="list-style-type: none"> ▶ Working papers in future years should be provided within a structured filing system with clear referencing to which items in the financial statements they support. ▶ We suggest the draft financial statements could be used as an index to provide evidence that all entries and disclosure notes are supported by a working paper. ▶ Senior management should ensure through a detailed reviewed that the above have been implemented, and that the working papers agree to the draft financial statements.

Whole of Government Accounts

We are required to perform procedures, as directed by the National Audit Office, on the Authority's Whole of Government Accounts (WGA) submission. The Authority prepares its initial submission based on the draft financial statements.

The Authority's submission falls under the thresholds for a full consistency check, therefore we are only required to review the consistency of the submission to the audited financial statements for:

- ▶ property, plant and equipment; and
- ▶ pensions liabilities.

During our financial statements audit we identified errors with the accounting for property, plant and equipment, which the Authority has amended. However, officers have decided not to amend the WGA submission. Therefore, the financial statements and the WGA submission are no longer consistent by a value of £28,000.

We are required to report this inconsistency.

4. Economy, efficiency and effectiveness

The Code of Audit Practice 2010 sets out our responsibility to satisfy ourselves that Mid Sussex District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Authority's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The table below presents the findings of our work in response to the risk areas or areas of focus presented to you in our Audit Plan.

Other risks/areas of focus:	Impacts arrangements for securing:	Key findings:
Financial standing		
The Council continues to experience funding challenges from national policies	Financial resilience Economy, efficiency and effectiveness	<p>The Authority continued its recent track record of delivering within its service budgets, with an £8,000 surplus for 2012/13. This was achieved after taking account of transfers to reserves, and the use of earlier identified savings to finance some invest to save initiatives on its pavilions and leisure facilities.</p> <p>We reviewed the Authority's 2013/14 budget and updated medium term financial projections, and assessed the current assumptions as reasonable.</p> <p>The Authority continues to experience financial pressures, as indicated by the September 2013 report to Cabinet which updates its medium term projections. This has increased the 2014/15 budget gap to £490,000.</p> <p>Despite these pressures, in our judgement the Authority has arrangements in place to maintain its financial resilience in the foreseeable future. Key to these are:</p> <ul style="list-style-type: none"> ▶ a projected underspend on the 2013/14 budget, currently forecast by officers at £73,000; ▶ a history of financial and service planning arrangements over a number of years that identify required savings; and ▶ the availability of £9.4 million in the general fund, which although the Authority does not wish to use this to finance ongoing revenue expenditure, provides an adequate cushion for short term financial pressures.

5. Control themes and observations

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

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

5.1 Current year observations

We have no issues to report

5.2 Challenges for the coming year

We have identified no issues to report.

6. Status of our work

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

Item	Actions to resolve	Responsibility
Audit procedures relating to the following statements or disclosures which have not been completed at the date of this report: <ul style="list-style-type: none"> ▶ Cashflow statement ▶ Revaluation Reserve ▶ Cost of Services gross income 	Completion of planned audit procedures. Information requests to be supplied by management	Management and EY
Final version of accounts	<ul style="list-style-type: none"> ▶ Incorporation of EY findings ▶ Accounts re-certified by Head of Finance ▶ Approval of accounts by Audit Committee 	Management, Audit Committee and EY
Letter of representation	<ul style="list-style-type: none"> ▶ To be discussed at Audit Committee on 24 September 2013 	Management and Audit Committee
Whole of Government Accounts	<ul style="list-style-type: none"> ▶ Final review of consistency of PPE and Pension Liability entries in the Authority's submission, to the audited financial statements 	EY

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the Authority's financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise. We will update the Audit Committee at the meeting on 24 September 2013.

6.1 Economy, efficiency and effectiveness

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

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

6.2 Objections

We have received no objections to the 2012/13 accounts from members of the public.

7. Fees update

A breakdown of our agreed fee is shown below.

	Proposed final fee 2012/13 £'000	Planned fee 2012/13 £'000	Scale fee 2012/13 £'000
Total Audit Fee – Code work	66,489	66,489	66,489
Certification of claims and returns	12,000*	12,000	12,000
Non-audit work (provide details)	0	0	n/a

Our actual fee is in line with the agreed fee.

**Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance within the Audit Certification Report for 2012/13*

8. Summary of audit differences

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

There were no uncorrected misstatements.

Our audit, as at the date of this report, identified only two errors impacting the primary statements.

An error was made in the treatment of expenditure on fixed asset additions with a gross £428,888, that had been incorrectly charged through the comprehensive income and expenditure account. Due to the nature of local government accounting and the various statutory overrides, correcting this error did not affect the general fund or other useable reserves.

There was also an error of £181,000 affecting both the income raised and payments to the national pool in the Collection Fund for business rates. This arose due to an earlier error in the completion of the year-end business rates returns on which these elements of the collection fund are based. There was no net impact to the Collection Fund or other parts of the financial statements.

There were a variety of other issues identified during the audit, related to non-material issues identified in the disclosure notes to the accounts. There are no amounts that we identified that were individually or in aggregate material to the presentation and disclosures of the financial statements for the year ended 31 March 2013.

9. Independence confirmation: update

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 1 March 2013. We complied with the Ethical Standards for Auditors and the requirements of the Standing Guidance and in our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

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

Appendix A Required communications with the Audit Committee

There are certain communications that we must provide to the audit committee. These are detailed here:

Required communication	Reference
Terms of engagement	The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies.
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit	Audit results report
<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	
Misstatements	Audit results report
<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	
Fraud	Enquiries made to the March Audit Committee
<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	No identified fraud or indications that fraud may exist to report to you.
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:	Audit results report – there are no significant matters to report.
<ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	
External confirmations	Audit results report – there are no matters to report
<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>Audit results report – there are no matters to report</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on Ernst & Young's 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"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan and update in section 8 of this report</p>
<p>Going concern</p> <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"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Audit results report – there are no matters to report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Audit results report.</p>
<p>Fee reporting</p> <ul style="list-style-type: none"> ▶ Final, planned and scale fee broken down into the headings of Code audit work, certification of claims and returns, and any non-audit work (or a statement to confirm that no non-audit work has been undertaken for the body). 	<p>Audit Plan and Audit results report</p>
<p>Summary of certification work undertaken</p> <ul style="list-style-type: none"> ▶ Annual report to those charged with governance summarising the certification work undertaken 	<p>Annual Certification Report – to be issued</p>

Appendix B Letter of representation

[To be prepared on the entity's letterhead]

[Date]

Helen Thompson
Ernst & Young
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

This representation letter is provided in connection with your audit of the financial statements of Mid Sussex District Council ("the Council") for the year ended 31 March 2013. 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 financial position of Mid Sussex District Council as of 31 March 2013 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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 (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
2. We acknowledge, 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, and of its expenditure and income of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and are free of material misstatements, including omissions. 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. 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 2012/13 that are free from material misstatement, whether due to fraud or error.

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 known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. 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 as agreed in terms of the audit engagement.
 - 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, 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 on the following date: 23 September 2013.
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 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 there are no guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than described in Note 6 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. Accounting Estimates

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

H. Retirement benefits

1. On the basis of the process established by 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.

I. Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the valuation of property, plant and equipment and have adequately considered the qualifications of the experts 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 experts 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 experts.

J. Comparative information – corresponding financial information

1. Comparative information has been restated in the form of a prior year adjustment due to:
 - Amending the policy on the classification of cash and cash equivalents, adjusting cash & cash equivalents by £3,750,000.
 - Amending a prior year error in applying IAS31 in accounting for the CenSus partnership, which has reduced Central Services to the Public gross income and expenditure by £1,271,162, and Housing Services gross income and expenditure by £1,441,720; and
 - Preparing the cashflow statement using the indirect method for the first time in 2012/13.
2. The comparative amounts have been correctly restated to reflect the above matters and appropriate disclosures of these restatements have also been included in the current year's financial statements.

Yours Faithfully,

Head of Finance

Letter of representation

**I confirm that this letter has been discussed and agreed at the Audit Committee on
24 September 2013**

Chairman of Audit Committee

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6. FINANCIAL STATEMENTS 2012/13

REPORT OF: Head of Finance, ICT and HR
Contact Officer: Peter Stuart
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision: No
Report to: Audit Committee
24th September 2013

Purpose of Report

1. This report presents the financial statements to the Committee for approval.

Summary

2. The financial statements have been circulated to all Members of the Committee. The Chairman of the Committee is to sign the accounts alongside the Head of Finance once Members are content.

Recommendations

3. **That the financial statements are approved and the Chairman be authorised to add his signature to that of the Head of Finance.**
-

Background

4. The financial statements present a picture of the Council's financial position over the year. This year they have again been prepared in accordance with International Financial Reporting Standards.
5. The statements are appended to this report and have been subject to audit. The previous item presents the auditor's view of the statements and offers an opinion on both the financial statements and the arrangements to secure Value for Money.
6. The Head of Finance has signed the accounts as presenting a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31st March 2013.

Policy Context

7. Receiving the report and following the recommendation enables the Council to fulfil its statutory obligations.

Other Options Considered

8. None.

Financial Implications

9. None.

Risk Management Implications

10. None.

Equality and Customer Service Implications

11. This report has no such implications

Other Material Implications

12. None.

Background Papers

None.

7. INTERNAL AUDIT – MONITORING REPORT 24th September 2013

Report from: Audit Manager
Contact Officer: Ben Durrant, HW Controls & Assurance LLP
Email: ben.durrant@midsussex.gov.uk
Tel: (01444) 477241
Wards Affected: All
Key Decision No

1. PURPOSE OF REPORT

The purpose of this report is twofold; to update the Committee on the progress of the 2013-2014 Internal Audit Plan and to report on the progress made in implementing previously agreed recommendations.

2. SUMMARY

- 2.1 The audit plans provide for a mix of coverage on fundamental systems, IT systems and service systems, which have been identified as potential risk areas. Appendix A summarises the progress to date on both plans.

3. RECOMMENDATIONS

The Audit Committee is asked to receive the report.

4. REPORT TO AUDIT COMMITTEE

Progress on implementing previous recommendations

- 4.1 There are currently no outstanding high priority recommendations to report from our own work.

Progress against the 2013-14 Internal Audit plan as at 24th September 2013

- 4.8 In line with the audit programme for the current year we have completed the Pitches and Pavilions audit.
- 4.9 Additionally, we have scheduled the remaining audits for the rest of the year, the timings of which can be seen in appendix A.

Background Papers

Internal Audit reports relating to 2013-2014
Working papers relating to 2013-2014

**Mid Sussex District Council
Internal Audit Plan 2013/14
Progress Report 24th September 2013**

Audit Area	Rating	Budget/ Days	Provisional Timing – commencing	Fieldwork Commenced	Draft Report Issued	Management Responses Received	Target date for issue of Final	Final Report Issued	High Findings Reported to Audit Committee	Comments
Fundamental Systems										
NNDR – CenSus Partners	High	N/A	Qtr 3							Audit to be conducted by Adur
Council Tax – CenSus Partners	High	20	Qtr 3							Audit to be conducted by Mid Sussex
Housing Benefits – CenSus Partners	High	N/A	Qtr 3							Audit to be conducted by Horsham
Payroll	High	5	Qtr 4							
Income Collection (Cashiers)	High	10	Qtr 3							
Treasury Management	High	5	Qtr 4							
Payments (Creditors)	High	5	Qtr 4							
Sundry Debtors	High	5	Qtr 3							
Capital Accounting & Asset Management	Medium	7	Qtr 4							
Budgetary Control	Medium	4	Qtr 3							
Computer Audit										
Back-up and Disaster Recovery	High	5	Qtr 2							
Change and Configuration Management	High	7	Qtr 4							
BACS		5	Qtr 2	25 July 2013	30 Aug 2013				N/A	
PSN		3	Qtr 2							

Audit Area	Rating	Budget/ Days	Provisional Timing – commencing	Fieldwork Commenced	Draft Report Issued	Management Responses Received	Target date for issue of Final	Final Report Issued	High Findings Reported to Audit Cttee	Comments
Required by Senior Management										
Procurement		6	Qtr 2							
Pitches and Pavilions		6	Qtr 1	13 May 2013	24 May 2013					Awaiting management response
Anti Fraud Work		7	Qtr 2	9 Sept 2013						
Land and Property		7	Qtr 2	15 July 2013						
Use of Data		10	Qtr 3							
Landscapes		10	Qtr 2	5 Aug 2013						

Draft report should be issued no more than 20 working days after debrief meeting.

Management Responses should be received no later than 10 working days after issue of draft report.

Final Report should be issued no later than 5 working days after Management Responses are received.

8. COMMITTEE WORK PROGRAMME 2013/14

Date	Agenda Item
25 June 2013	Annual Governance Statement 2012/13 External Audit Business Treasury Management Policy Counterparty List Review of Treasury Management Activity 2012/13 Internal Audit Annual Report 2012/13 Internal Audit Monitoring Report Internal Audit – 2012-13 Recommendations
24 September 2013	Annual Governance Report 2012/13 Financial Statements 2012/13 Internal Audit Monitoring Report
20 November 2013	Annual Audit Letter (PS) Treasury Management Half Year Report (PS) Internal Audit Monitoring Report (PS)
20 March 2014	External Audit Plan for 2013/14 Audit (PS) Audit Plan (PS) Internal Auditing Monitoring Report (PS)