Maldon District Council Audit results report

Year ended 31 March 2017
Dear Audit Committee Members

We have substantially completed our audit of Maldon District Council (the Authority) for the year ended 31st March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 03, before the statutory deadline, and following the approval of the financial statements by this Committee in August. We have not identified any weaknesses in your arrangements to secure economy, efficiency and effectiveness in your use of resources from our audit work. We have however recently received notification of two objections to the Council’s accounts which raise issues related to value for money. We are currently considering whether to accept these objections. We are satisfied that the issues raised do not have an impact on the financial statements or our opinion on the accounts.

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

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Debbie Hanson
Executive Director
For and on behalf of Ernst & Young LLP
United Kingdom
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 Audit and Standards Committee, other members of the Authority and management of Maldon District Council's in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee, other members of the Authority and management of Maldon District Council's those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Standards Committee, other members of the Authority and management of Maldon District Council’s 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

Status of the audit

We have substantially completed our audit of Maldon District Council’s financial statements for the year ended 31st March 2017 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the outstanding items we outline on page 6 we expect to issue an unqualified opinion on the Authority’s financial statements in the form which appears at section 03.

We have not identified any material errors in the accounts as noted in section 04.

We have not identified any significant risks relating to the Council’s value for money arrangements. We have however recently received notification of two objections to the Council’s accounts which raise issues related to value for money. We are currently considering whether to accept these objections and will provide an update on this issue to the Committee on 31 August.

Scope and materiality

In our Audit Plan presented to the 30 March 2017 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 £642,340. We reassessed this using the actual year-end figures, which have slightly increased this amount to £657,960. As a result we have increased the threshold for reporting audit differences from £32,100 to £32,900. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure.

We also considered areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits. As these disclosures are considered to be of interest to users of the accounts we have tested the disclosures in sufficient detail to ensure they are correctly disclosed. In particular we have confirmed the figures for senior officer remuneration in full.
- Related party transactions. The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality as well as undertaking additional procedures to gain assurance over the completeness of the disclosures.
- Councillors’ allowances. As these disclosures are considered to be of interest to users of the accounts we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.
## Outstanding procedures

We have the following outstanding items to complete:

- Completion of valuation procedures relating to property, plant and equipment balances.
- Clearance of remaining audit queries
- Final Director review of the completed audit work
- Review of the final version of the financial statements
- Completion of subsequent events review up to the date of the audit report
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission
- Receipt of the signed management representation letter

## Audit differences

To date, there are no unadjusted audit differences arising from our audit.

We identified minor errors on disclosures for officer’s remuneration, leases, and grant income, all of which were amended.
Executive Summary

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Maldon District Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure.

We identified the risk of management override of controls as a significant audit risk and undertook specific audit procedures to address this risk. Our work did not identify any transactions during which appeared unusual or outside the Authority's normal course of business.

An area of audit focus which we also included in the Audit Plan was the introduction of the Expenditure and Funding Analysis and the restatement of the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement. Officers provided us with an early draft of their proposed changes which we reviewed in April. We ensured that the format of the proposed disclosures were in line with the CIPFA code.

We summarise our consideration of all other key areas of focus, 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.
- There are no other significant issues to be considered.

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 committed to updating you on the outcome of our risk assessment. We have completed our risk assessment and did not identify any significant risks.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources based on the audit work we have completed. The Council has identified funding gaps in the medium term, but also has a history of meeting the gaps as well as a good level of reserves. As noted below, we have however recently received two objections related to value for money arrangements which we are currently considering whether to accept.
Executive Summary

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.

The Authority submitted the pre-audit Whole of Government Accounts (WGA) submission in June. The Authority falls below the National Audit Office's threshold for us to carry out detailed procedures on the submission but we do need to complete a consistency check with the final audited accounts. We will update the Committee should we have any matters to report.

The period for electors and interested persons to ask questions or object to the accounts ended 13 August. We have received notification of two objections and are currently considering these in terms of their potential impact on the financial statements and value for money conclusion. We are satisfied in light of the sums involved that there is not impact on the financial statements. We are currently considering whether there is any impact on the value for money conclusion. We are not able to issue our certificate of conclusion of the audit until we have concluded our consideration of the objections.

Control observations

We have adopted a fully substantive approach, and so have not tested the operation of controls. We have, however, updated our understanding of key processes and the controls which are in place to detect or prevent error. Through this work, 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 and which is unknown to you.

During the audit we have identified areas for management to improve financial processes and controls which we have noted in section 07.

Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to bring to your attention.
Areas of Audit Focus
### Areas of Audit Focus

## Audit issues and approach: Management override

<table>
<thead>
<tr>
<th>Management override of controls</th>
<th>What is the risk?</th>
<th>What did we do?</th>
</tr>
</thead>
</table>
| **Risk of management override of controls** | As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement. We have assessed journal amendments, accounting estimates and unusual transactions as the area’s most open to manipulation. We have also considered the risk of inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment as an area of potential management override. | In order to address this risk we carried out a range of procedures including:  
- Gaining an understanding of the oversight given by those charged with governance of management’s processes and controls in respect of fraud;  
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained a full list of journals posted to the general ledger during the year and using our data analytics tool confirmed the completeness of the population and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation;  
- Reviewing accounting estimates (e.g. IAS 19 liability, valuation of PPE and provisions) for evidence of management bias, as outlined in more detail on the following page;  
- Evaluating the business rationale for any significant unusual transactions; and  
- Testing a sample of in year additions to property, plant and equipment to ensure they meet the definition of capital expenditure. |

### What are our conclusions?

**From our work complete to date:**
- We have not identified any material weaknesses in controls or evidence of material management override of controls.
- We have not identified any instances of inappropriate judgements being applied.
- We did not identify any other transactions during our audit which appeared unusual or outside the Authority’s normal course of business.
- We have not identified any inappropriate capitalisation of revenue spend.
Areas of Audit Focus

Audit issues and approach: Management Override of Controls

Further details on procedures / work performed

In undertaking our work on management override of controls we have considered the balances included in the Authority’s financial statements that are the most susceptible to judgement or estimation techniques. The key estimates are considered to be:

- The valuation of property, plant and equipment - due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.
- Valuation of pension liabilities - due to the significance of this on the financial statements we have included this as a higher inherent risk in our audit strategy and include a separate section to report on this below.
- Provisions (NDR appeals provision) - due to the high degree of estimation assumptions we have included this as a higher risk estimate in our audit strategy.
- Accruals - due to the judgement involved in determining whether good/services are received/rendered in the absence of an invoice we have included manual accurate as a higher risk estimate in our audit strategy.

We consider the remainder of the Authority’s estimates, including bad debt provision and depreciation to be low risk of misstatement. No issues were noted in our work in these areas.
Areas of Audit Focus

Audit issues and approach: Reliance on experts

Reliance on experts highlighted in the Audit Plan

We identified two areas in our Audit Plan where we place reliance on experts; pensions and property valuations.

In accordance with Auditing Standards, we have evaluated each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work. We have also considered the work performed by the specialist in light of our knowledge of the Council’s environment and processes and our assessment of audit risk in the particular area. As part of this work we have performed the following procedures:

► Analysed source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
► Assessed the reasonableness of the assumptions and methods used;
► Considered the appropriateness of the timing of when the specialist carried out the work;
► Assessed whether the substance of the specialist’s findings are properly reflected in the financial statements.

We set out our findings in relation to the two specialists we have relied on below

Pension disclosures

We have assessed and are satisfied with the competency and objectivity of the Authority’s actuary: Barnett Waddingham. EY pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. The methodologies used to derive the discount rate and RPI inflation assumptions are not robust as they do not take adequate account of the specific duration of the scheme’s liabilities. In future years, this could lead to unacceptable assumptions.

Property valuations

We have assessed and are satisfied with the overall competency and objectivity of the Council’s valuers, Wilks Head & Eve. We are currently completing our procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Authority’s property, focusing in particular on specialist assets which are valued on a depreciated replacement costs basis. We will provide an update on progress and any findings at the Audit Committee meeting.
Audit Report
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF MALDON DISTRICT COUNCIL

Opinion on the Authority’s financial statements

We have audited the financial statements of Maldon District Council’s 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;
▶ Notes 1 to 30 to the Core Accounting Statements; and
▶ Collection Fund.

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 Maldon 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 Head of Finance and External Auditor

As explained more fully in the Statement of the Head of Finance’s Responsibilities set out on page 15, the Head of Finance is responsible for the preparation of the Authority’s 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, 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 the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/2017 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 Maldon 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 2016/2017 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 if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- 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 Maldon 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 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 the Maldon 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 the Maldon 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, the Maldon District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion (draft, may be subject to change as a result of the objections received)

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, Maldon 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 cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to conclusion our consideration of the objections received to the Councils accounts. We are satisfied that the objections do not have a material effect on the financial statements.

Debbie Hanson
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
xx/09/2017

The maintenance and integrity of the Maldon District Council web site is the responsibility of the Authority; 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.
04 Audit Differences
**Audit Differences**

**Summary of unadjusted differences**

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

To date there were no unadjusted errors.

**Summary of adjusted differences**

We highlight the following misstatements in the financial statements disclosures identified during the audit. These have been corrected by management:

- The Expenditure and Funding Analysis (EFA) is a new disclosure for 2016/17 and its inclusion in the statements immediately preceding the primary statements implied that the EFA itself is a primary statement which it is not. Management have amended the accounts by adding a narrative before the primary statements to reflect this.
- Various other amendments to the disclosures such as corrections to officers remuneration, grant income and accounting policy for the prior period adjustment in relation to restatement of the comprehensive income and expenditure statements as a result of changes to the CUPFA Code For 2016/17.
05 Value for Money
We did not identify any significant risks around these criteria. We therefore anticipate having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

As noted earlier in this report, we have recently received objections to the Council’s accounts related to value for money arrangements which we are currently considering whether to accept.

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.
VFM risks

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.

We did not identify any significant risks in our risk assessment.

Other matters to bring to your attention

At the time of writing this report we are still finalising our consideration of whether there are other matters to bring to your attention as a result of the objections to the Council’s accounts. We will provide an update at the Audit Committee meeting on 31 August 2017.

What are our findings?

The Authority gives appropriate attention to internal control. Its high level policies and procedures are updated and regularly communicated to officers and members. Officers monitor the design and effectiveness of controls and pro-actively seek to make improvements.

To date the Council has responded well to the financial pressure facing public sector bodies, but continues to face significant financial challenges over the next three years, with uncertainty in the levels of future funding it will receive. The MFTS includes New Homes Bonus Grant over just under £2 million over the three years to 2019/20. There could be significant changes to this funding in future years and this therefore also presents a future risk for the Council. The Council’s ‘Medium Term Financial Strategy identifies budget gaps of just under £1 million at the end of 2019/20. The Council is developing plans to address these gaps, and as part of this has undertaken a review of income generation opportunities. The MFTS includes planned use of reserves of £0.7 million in 2017/18, but then includes contributions to reserves of some £0.7 million over the next two years. In 2016/17, the Authority reported an under spend against budget.

We therefore identified no significant risks to the value for money conclusion. We completed work to validate this assessment and have no further matters to report.
06 Other reporting issues
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 2016/2017 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.

We have completed our work in these areas and have concluded that:

- Financial information in the Statement of Accounts 2016/2017 and published with the financial statements was consistent with the audited financial statements.
- The Annual Governance Statement is consistent with other information from our audit of the financial statements.

We therefore 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.

The Authority submitted the pre-audit Whole of Government Accounts return in June. Although the Authority's submission falls below the NAO's threshold for detailed procedures we do need to check consistency with the audited accounts. We will report any matters arising from our work in this area to the Audit Committee.
Other reporting issues

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 that would require us to make such a recommendation.

We are currently finalising our consideration of whether there is any need for us to exercise our formal powers as a result of the objections to the Council’s accounts.

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 Authority’s financial reporting process. This has included consideration of 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;
- Related party disclosures;
- External confirmations;
- Going concern considerations; and
- Consideration of laws and regulations.

We have no such matters to report.
Assessment of Control Environment
Assessment of Control Environment

Assessment of control environment

The matters reported here are limited to those deficiencies identified during the audit and important enough for us to report to you.

The table below provides an overview of the observations we have from the 2016/17 audit.

<table>
<thead>
<tr>
<th></th>
<th>High</th>
<th>Moderate</th>
<th>Low</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open at July 2016</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Closed during FY17</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>New points raised in FY17</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total open points as at July 2017</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Key:
- A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.
- Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within 6 months.
- Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within 3 months.

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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

In testing of the Contract Register it was noted that the register was not up to date which resulted in some contracts included on the register which were already terminated. Contract registers provide schedules of contracts that have been issued or agreed. They are particularly useful when there are a large number of live contracts at any time. Contract registers provide an invaluable record, helping track contract status and can be used to provide further transparency to the public. We understand that the Council has already put measures in place to address this control weakness which should resolve the issue. The risk has been maintained as medium risk reflecting the current position; however the work the council are undertaking would reduce this to low risk.
# Appendix A

## Required communications with the Audit Committee

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

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terms of engagement</td>
<td>Confirmation by the Governance, Performance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</td>
<td>The statement of responsibilities serves as the formal terms of engagement between the PSAA’s appointed auditors and audited bodies.</td>
</tr>
<tr>
<td>Planning and audit approach</td>
<td>Communication of the planned scope and timing of the audit, including any limitations.</td>
<td>30 March 2017 Audit Plan</td>
</tr>
</tbody>
</table>
| Significant findings from the audit | - Our view of the 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 (delete if not an initial audit) | 31 August 2017 Audit Results Report |
| Going concern | Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:  
- 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 | No conditions or events were identified, either individually or together to raise any doubt about Authority’s ability to continue for the 12 months from the date of our report |
| Misstatements | - 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  
- Significant corrected misstatements, in writing | 31 August 2017 Audit Results Report |
# Appendix A

## Our Reporting to you

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fraud</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Asking the audit committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</td>
<td></td>
<td>We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit</td>
</tr>
<tr>
<td>- 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: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- A discussion of any other matters related to fraud, relevant to Audit Committee responsibility.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Related parties</strong></td>
<td>Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:</td>
<td>We have no matters to report</td>
</tr>
<tr>
<td>- Non-disclosure by management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Inappropriate authorisation and approval of transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Disagreement over disclosures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non-compliance with laws and/or regulations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Difficulty in identifying the party that ultimately controls the entity</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subsequent events</strong></td>
<td>Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.</td>
<td>31 August 2017 Audit Results Report</td>
</tr>
<tr>
<td><strong>Other information</strong></td>
<td>Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.</td>
<td>We have no matters to report</td>
</tr>
<tr>
<td><strong>External confirmations</strong></td>
<td>Management's refusal for us to request confirmations</td>
<td>We have received all requested confirmations</td>
</tr>
<tr>
<td>- We were unable to obtain relevant and reliable audit evidence from other procedures.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consideration of laws and/or regulations</strong></td>
<td>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”</td>
<td>We have asked management and those charged with governance. We have not identified any material instances of non-compliance with laws and regulations</td>
</tr>
<tr>
<td>- Asking the Governance, Performance 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 Governance, Performance and Audit Committee.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Appendix A

<table>
<thead>
<tr>
<th>Required communications</th>
<th>What is reported?</th>
<th>When and where</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant deficiencies in internal controls identified during the audit</td>
<td>Significant deficiencies in internal controls identified during the audit.</td>
<td>31 August 2017 Audit Results Report</td>
</tr>
</tbody>
</table>
| 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, | 30 March 2017 Audit Plan 31 August 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 | 30 March 2017 Audit Plan 31 August 2017 Audit Results Report |
| Certification work | Summary of certification work | Certification Report |
Appendix B

Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 2 February 2017.

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 Management and the Audit and Standards Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Standards Committee on 2 February 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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Final Fee 2016/17</th>
<th>Planned Fee 2016/17</th>
<th>Scale Fee 2016/17</th>
<th>Final Fee 2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Audit Fee - code work</td>
<td>49,275</td>
<td>49,275</td>
<td>49,275</td>
<td>49,275</td>
</tr>
<tr>
<td>Certification fee</td>
<td>*</td>
<td>13,283</td>
<td>13,200</td>
<td>13,200</td>
</tr>
</tbody>
</table>

* To be determined once the audit has commenced
### Outstanding matters

The following items are outstanding at the date of this report:

<table>
<thead>
<tr>
<th>Item</th>
<th>Actions to resolve</th>
<th>Responsibility</th>
</tr>
</thead>
</table>
| Remaining audit queries regarding:  
  - PPE  
  - CIES Restatement  
  - NDR Provision  
  - Capital Financing Requirement; and  
  - Minimum Revenue Provision | Clearance of remaining audit queries | EY and management |
| The financial statements | Finalisation and review of the final version of the financial statements | EY and management |
| Subsequent events review | Completion of subsequent events procedures to the date of signing the audit report | EY and management |
| Management representations | Receipt of the signed management representation letter (see Appendix E). | Management |
| Whole of Government Accounts | Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission | EY |
## Accounting and regulatory update

### Accounting update

Since the date of our last report to the Governance, Performance and Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

<table>
<thead>
<tr>
<th>Name</th>
<th>Summary of key measures</th>
<th>Impact on Maldon District Council</th>
</tr>
</thead>
</table>
| **IFRS 9 Financial Instruments** | Applicable for local authority accounts from the 2018/19 financial year and will change:  
  ▶ How financial assets are classified and measured  
  ▶ How the impairment of financial assets are calculated  
  ▶ Financial hedge accounting  
  ▶ The disclosure requirements for financial assets.  
  Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact. | Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority will have to:  
  ▶ Reclassify existing financial instrument assets  
  ▶ Re-measure and recalculate potential impairments of those assets; and  
  ▶ Prepare additional disclosure notes for material items  
  The Authority is awaiting clarification of the exact requirements before investing time in the above work. |
| **IFRS 16 Leases**            | IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.  
  Whilst the definition of a lease remains similar to the current leasing standard, the new standard will have a significant impact for local authorities who lease in a large number of assets, with nearly all current leases being included on the balance sheet.  
  There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced. | Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Authority will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.  
  The Authority is has yet to commence work in this area due to the timing of implementation. |
### Regulatory update

The following table provides a high level summary of the regulatory developments that have the most significant impact on you:

<table>
<thead>
<tr>
<th>Name</th>
<th>Summary of key measures</th>
<th>Impact on Maldon District Council</th>
</tr>
</thead>
</table>
| **IFRS 9 Financial Instruments** | Applicable for local authority accounts from the 2018/19 financial year and will change:  
  - How financial assets are classified and measured  
  - How the impairment of financial assets are calculated  
  - Financial hedge accounting  
  - The disclosure requirements for financial assets.  
  - Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact. | Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:  
  - Reclassify existing financial instrument assets  
  - Remeasure and recalculate potential impairments of those assets; and  
  - Prepare additional disclosure notes for material items  
  The Council is awaiting clarification of the exact requirements before investing time in the above work. |

*Note: The Council is awaiting clarification of the exact requirements before investing time in the above work.*
### Appendix D

<table>
<thead>
<tr>
<th><strong>IFRS 16 Leases</strong></th>
<th>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</th>
<th>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented. The Council is has yet to commence work in this area due to the timing of implementation.</th>
</tr>
</thead>
</table>


Management representation letter

Maldon District Council
Audit for the year ended 31 March 2017

This representation letter is provided in connection with your audit of the financial statements of Maldon District Council ("the Authority") for the year ended 31 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 financial position of Maldon District Council as of 31 March 2017 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 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 CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
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 Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 Authority 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.
Appendix E

Management Rep Letter (cont.)

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 Authority'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, which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Authority.

C. Compliance with Laws and Regulations
1. 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 and papers of the meetings of the Authority, its Resources Committee; Governance, Performance and Audit Committee; Strategy Committee and Appointments and Urgency Committee held through the year to the most recent meeting held on TBC.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority'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 Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies
1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to 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 disclosed all liabilities, related litigation and claims, both actual and contingent. The Authority has not provided any guarantees to any third parties.
4. No other claims in connection with litigation have been or are expected to be received.
F. Subsequent Events
1. Other than the events described in Note 5 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. Expenditure Funding Analysis
We have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
We also confirm that the financial statements reflect the operating segments reported internally to the Council.

I Retiree benefits
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.

J Use of an expert
We agree with the findings of the experts engaged to evaluate the valuation of assets included in the financial statements 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.

Emma Foy
Director of Resources

Councillor Peter Elliot
Chair of Audit and Committee
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com