

Simon Warren
Interim Managing Director

Civic Centre, Bridge Street
Reading, RG1 2LU
☎ 0118 937 3737

Fax: 0118 937 2278

Our Ref:
Your Ref:

Direct: ☎ 0118 9372058
e-mail: Alan.Cross@reading.gov.uk

17 November 2016

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Maria Grindley, Executive Director
EY LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE
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Your contact is: **Alan Cross, Head of Finance, Financial Services**

Dear Maria,

LETTER OF REPRESENTATION 2016/17 AUDIT

This letter of representations is provided in connection with your audit of the financial statements of Reading Borough Council ("the Group and Council") for the year ended 31 March 2016. 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 Group and Council financial position of Reading Borough Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We understand that the purpose of your audit of our consolidated and Council 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 for the Group and the Council in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (save that we have been unable to publish audited accounts by 30 September).

2. We acknowledge, as members of the Corporate Management Team of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above (as amended following audit) give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. The Council's Audit & Governance Committee has approved the financial statements on behalf of Council.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of the Corporate Management Team of the Council (with oversight of the Group), we believe that the Group and Council has systems 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 2015/16, that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of the unadjusted audit difference the overstatement in Note 18 of the short term accumulated absence account, summarised in the accompanying schedule, accumulated by you during the current audit is immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected the difference identified by and brought to the attention from the auditor because this would necessitate a large number of quite small accounting entries in the underlying records and detailed statement that would be excessively time consuming to implement at this stage.

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 disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial

statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the consolidated or Council financial statements.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated and council financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have made available to you all minutes of the meetings of the Council and committees and summaries of actions of recent meetings for which minutes have not yet been prepared held through the 1 April 2015 to the most recent meeting (of Council) on the 18 October 2016.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.

5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. We have disclosed to you, and the Group and 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 no other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. Other than the one school converting to academy status described in Note 24 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. Group audits

1. There are some restrictions on our ability to direct the bus company (the material Group entity) as set out in legislation and it operates at arm's length from the Council. Otherwise there are no statutory, contractual, or other restrictions other than those indicated in the Group and Council financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.

H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheets, and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet.

I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

Property Plan and Equipment and PFI Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16
2. We confirm that the significant assumptions used in making the Property Plan and Equipment and PFI Estimates appropriately reflect our intent and ability to carry out business functions on behalf of the entity.
3. We confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimates are complete and made in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and council financial statements due to subsequent events.

J. 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.

K. Additional specific representations:

The Council have taken all necessary action to investigate the fraud in S106 income and we are not aware of any other frauds in this area;

The Council have taken all reasonable action to complete the bank reconciliations in 2015/16 and that there are no other items that require amendment or disclosure. However, there remains an immaterial unreconciled difference and we have undertaken to bring the bank reconciliation back into balance by the end of the 2016/17 financial year.

The Council have provided EY with all necessary information to support the disclosures for the PFI and detailed working schedules to support infrastructure assets.

Yours faithfully,

Alan Cross
Head of Finance

Rachel Musson
Interim Director of Finance

I confirm that this letter has been discussed and agreed at the Audit and Governance Committee on 17 November 2016

Cllr David Stevens
Chair of Audit and Governance Committee