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Peterborough City Council

Report to those charged with governance

Report to the Audit Committee of the Authority on the audit for the year ended 31 March 2013 *(ISA (UK&I)) 260)*

Government and Public Sector

September 2013

Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

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An audit is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters.

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Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2013; we have reviewed the plan and concluded that it remains appropriate.

Audit Summary

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts on 24 September 2013.

The key outstanding matters, where our work has commenced but is not yet finalised, are:

- completion of our testing on the local government pension scheme;
- approval of the Statement of Accounts and letters of representation; and
- completion procedures including subsequent events review.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of its standing guidance.

We look forward to discussing our report with you on 23 September 2013. Attending the meeting from PwC will be Chris Hughes and Jacqui Dudley.

Acknowledgements

We would like to thank John Harrison, Steven Pilsworth, Kirsty Nutton, Carole Coe and their team for the considerable help and assistance provided to us during the course of our audit.

We note that the first draft of the accounts provided to us at the commencement of the audit was of a good quality. The working papers supporting the audit trail from the general ledger to the accounts were also of good quality.

We worked with management to deliver the audit in a shorter timescale than in the previous year and we were able to complete our audit work in accordance with the timetable we agreed with management. Audit queries were answered promptly.

We were also pleased that the issues noted in the prior year in respect of capital accounting and the fixed asset register had been resolved.

Audit approach

Our risk assessment remains the same as the audit plan we presented to you in March 2013.

We have summarised our response to those risks for your audit.

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Our audit plan noted that Auditing Standards require us to include two risks as significant in all audits. We have summarised below these risks and the audit approach we took to address them. No further significant audit risks have been identified.

Risk	Categorisation	Audit approach
Fraud and Management Override of Controls *ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.*	Significant	We have performed procedures to: • test the appropriateness of journal entries; • review accounting estimates for biases and evaluate whether circumstances producing any bias, represent a risk of material misstatement due to fraud; • evaluate the business rationale underlying significant transactions; and • introduce an element of 'unpredictability' into the audit which varies year to year. We found no significant matters to report to you in this context.
Recognition of Income and Expenditure *Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in local government.*	Significant	We have performed procedures to: • obtain an understanding of revenue and expenditure controls; • evaluate and test the accounting policy for income and expenditure recognition to ensure that it was consistent with the requirements of the Code of Practice on Local Authority Accounting; and • test revenue and expenditure transactions, focussing on the areas we considered to be of greatest risk. We found no significant matters to report to you in this context.

Your main accounting issues relate to:

- *Accounting for new academy schools;*
- *Valuation of property;*
- *Accounting for the Local Authority Mortgage Scheme; and*
- *Accounting estimates for pensions.*

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Significant audit and accounting matters

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

Accounts

We have completed our audit, subject to the following outstanding matters:

- completion of our testing on the local government pension scheme;
- approval of the Statement of Accounts and letters of representation; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, we expect to issue an unqualified audit opinion.

As part of our work on the Statement of Accounts we have also examined the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and anticipate issuing an opinion stating in our view they are consistent with the Statement of Accounts.

Accounting issues

There are four matters that we wish to draw to your attention:

1. Accounting for the construction of new academy schools;
2. Valuation of property;
3. Accounting for the Local Authority Mortgage Scheme; and
4. Estimation of the pension liability for the Local Government Pension Scheme.

1. Accounting for the construction of new Academy schools

The Authority proactively raised this matter with us in May 2013. During the year, the Authority has been constructing two new academy schools; the City of Peterborough Academy and the Thomas Deacon Junior School which are part funded by Department of Education grants. These two academies will transfer to Greenwood Dale Academies Trust upon completion in June 2014. The Authority initially capitalised this expenditure and then impaired this to nil, as the assets will be owned by the Authority only until the transfer date, will not receive the economic benefit from the assets.

We have reviewed the substance of each transaction and determined that in accordance with the CIPFA Code the capital expenditure incurred in relation to the academies should instead be treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS). REFCUS would be recognised within the Comprehensive Income and Expenditure Statement in the period in which it is incurred. A transfer is then made from the Capital Adjustment Account so there is no impact on the balance of the General Fund.

We have also considered whether the arrangements should be considered as the Authority constructing property, plant & equipment (PP&E) and which is then leased to the Academy or whether this should be considered as a construction contract to build an asset for the Department of Education group. Either approach could be adopted by the Authority depending of the substance of the transaction, however the pattern of income recognition would be different under the two approaches.

The Authority has determined that the substance of each transaction is to recognise as PP&E, with the expenditure treated as REFCUS and the grant income recognised in full in the period.

This is one of the discussed approaches and we are therefore not minded to challenge the adjustment made to the accounts.

2. Valuation of property

The Authority has a large and complex property, plant and equipment (PP&E) portfolio and, in common with other authorities, each year a number of significant judgements are required in order to generate the figures in the financial statements.

The draft accounts include total PP&E with a net book value of £507 million, largely made up of land and buildings (net book value of £312 million) and infrastructure assets (net book value of £120 million). The Authority has utilised the expertise of an external valuation expert in evaluating the valuation of the Authority's PP&E and investment properties.

Our internal valuation experts have reviewed the assumptions and methodologies used by the Authority's external valuation expert. We draw your attention to the following in relation to these assumptions:

1. Depreciation and Useful Economic Lives (UEL) – some of the assumptions used on the remaining economic lives were considered to be simplistic and should reflect the specific characteristics of the property.

2. Modern Equivalent Asset Basis - valuations calculated by the external valuer assume the replacement of existing property. The Royal Chartered Institute of Surveyors (RICS) guidance stipulates that the valuation should be undertaken on a Modern Equivalent Asset basis (MEA). Modern Equivalent means "replacement of an existing asset with a more technically up to date asset today, and provide the same level of service as any existing asset".

3. Apportioning land values – The external valuer has used an approach of apportioning land values as a percentage of building costs in their valuation. However, PwC valuers would adopt an approach that derived the land values by using a land value per acre based on market comparables.

These matters regarding the assumptions have been reviewed and considered by Management who are comfortable that the assumptions and methodology adopted by the external valuer do not materially misstate the financial statements.

Management have also carried out an impairment review during the year, for assets that were not re-valued in 2012/13 and are comfortable that the values of these land and buildings assets are not materially misstated in the financial statements.

We have considered the approach adopted by the external valuer and the Authority and, in the context of the truth and fairness of the accounts as a whole, are not minded to challenge the valuations recorded in the accounts.

However, we recommend that management, the external valuers, and our internal valuers, discuss the approach to be adopted for the 2013/14 valuations.

3. Accounting for the Local Authority Mortgage Scheme

The Authority has set up the Local Authority Mortgage Scheme ("LAMS") with Lloyds TSB ("the lender"). In the LAMS, first time buyers ("the borrower") put down five per cent of the property price as a deposit to the lender, with the Authority providing a cash backed indemnity of up to 20 per cent as additional security. The Authority then earns interest on this amount. As at 31 March 2013, the Authority had paid £1m to Lloyds TSB, with a further £1m paid in July 2013 and plans for a further £2m approved by Council for 2013/14.

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The Authority has treated its payment of £1m to Lloyds as capital expenditure. The justification for this treatment is regulation 25(1)(b) of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, which defines as capital expenditure "... the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the Authority, be capital expenditure".

We consider that an alternative interpretation of statute may be appropriate as, although the lender would not have made its loan to the borrower without the Authority having placed money on deposit with it, the Authority may not have a relationship with the borrower making the house purchase that is sufficient for regulation 25(1)(c) to be effective. This is because the status of the deposit appears such that the lender cannot treat the amount deposited as its own monies.

An alternative accounting treatment would treat the commitment that the Authority makes to the lender as meeting the definition of a financial guarantee. Financial guarantees are required to be accounted for in accordance with Section 7.2.4 of the CIPFA Code, being "initially recognised as a liability at fair value and an expense, estimated by considering the probability of the guarantee being called and the likely amount payable under the guarantee".

However, we recognise that this issue rests on the interpretation of statute, and that others may be of the view that as the amount advanced to the lender by the Authority is reflected in a larger advance to the borrower than would otherwise have been permitted by the lender's rules, there is arguably a flow of cash between the Authority and the borrower that is sufficient to constitute the giving of a loan by the Authority to the lender for use by the borrower in acquiring a property.

We note that the Authority has obtained advice from the Monitoring Officer for entering into the scheme and has not relied solely on any assurances given to it by its Treasury Management Advisors in respect of its consideration of the appropriate accounting treatment.

While we include consider this an unadjusted misstatement, given that the value of the amount paid into LAMS at 31 March 2013 is not material in the context of the truth and fairness of the accounts as a whole, there is no impact on our audit opinion.

This view will need to be considered again in the light of any further advances, as accountancy practice and the interpretation of statute in this area develops.

4. Estimation of the pension liability

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Cambridgeshire County Council Pension Fund, of which you are an admitted body.

We reviewed the reasonableness of the assumptions underlying the pension liability, and have no matters to draw your attention to in this regard.

We undertook audit work on the data supplied to the actuary on which to base their calculations.

We have also received a report from the auditors of the Cambridgeshire County Council Pension Fund in August 2013, summarising their work on the pension fund as a whole. This report highlighted that the fair value of the whole pension fund as at 31 March 2013, as provided by the scheme actuaries Hymans Robertson LLP (“Hymans”), was £1,967m. However, the audited assets of the pension fund at this date were £1,904m, resulting in a difference of £63m between estimated and actual total fund assets as at the balance sheet date.

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial.

There was one uncorrected misstatement identified during the audit.

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In accordance with the CIPFA Code section 6.4.1.11, formal valuations are performed every three years with approximate assessments adjusting the full valuation results using the latest membership data in intervening years.

Both the IAS19 asset derived from the actuary's report and the notional share of fund assets are deemed to be estimates. The notional share of the fund assets is calculated as part of the full valuation, and then used as part of the actuary's model for calculating the assets attributable to an admitted body until the next full valuation, the actual percentage in the intervening periods may differ from this and the percentage is therefore an estimate.

Whilst we may know the audited value of the pension fund assets in the intervening years, applying the notional share of the assets to calculate the value attributable to an individual admitted body is itself an estimate (as the percentage may have changed), and the percentage applied is the more sensitive variable.

We have discussed this with management, Hymans and our internal actuarial and accounting experts. We have considered the estimates used by the actuary and deem these to be reasonable in the context of the truth and fairness of the accounts as a whole, and there is no impact on our audit opinion. The Authority has appropriately amended the IAS19 disclosures to make it clear that a full valuation exercise is undertaken every three years, the asset value in the intervening period is an estimate calculated by the actuary using a model, and any differences between the estimate and actual figures are adjusted at the next full valuation.

Changes to IAS 19: Employee Benefits

From 2013/14 there will be changes to the accounting for defined benefit schemes and termination benefits. For defined benefit schemes the net finance cost will be used. The net scheme liabilities/assets will be unwound using the discount rate for the pension liability and the costs of administering the scheme will be recognised directly in expenses. Also, the definition of termination benefits under IAS19 has changed and does not now include liabilities where there is a future service element. They do not include any 'voluntary' element.

Misstatements and significant audit adjustments

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. There was one uncorrected misstatement identified during the audit in relation to the LAMS, see accounting issues above.

We also bring to your attention any misstatements or adjustments which have been corrected by management but which we consider you should be aware of in fulfilling your governance responsibilities. There were no misstatements to report, and no significant adjustments other than those already described above to bring to your attention.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask you to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered.

Management representations

The final draft of the representation letter that we ask management to sign is attached in Appendix 2.

In addition to the standard representations we have requested specific representations on:

- Local Authority Mortgage Scheme; and
- Valuation experts.

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) "Communication with those charged with governance", UK Ethical Standard 1 (Revised) "Integrity, objectivity and independence" and UK Ethical Standard 5 (Revised) "Non-audit services provided to audited entities" issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers' firms and associated entities ("PwC") and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

For the purposes of this letter we have made enquiries of all PricewaterhouseCoopers' teams whose work we intend to use when forming our opinion on the truth and fairness of the Statement of Accounts.

Relationships between PwC and the Authority

We are not aware of any relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff being employed by, or holding discussions in respect of employment with, the Authority as a director or in a senior management position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm's internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

In addition to the audit of the Statement of Accounts, we have also undertaken work to form our value for money conclusion and have undertaken certification of claims and returns, as required by the Audit Commission.

Fees

The analysis of our audit fees for the year ended 31 March 2013 is included on page 11. In relation to the non-audit services provided, none included contingent fee arrangements.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

Rotation

It is the Audit Commission's policy that engagement leaders at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission's view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve engagement leaders for an additional period of up to no more than two years, *We anticipate issuing an unqualified value for money conclusion.*

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provided that there are no considerations that compromise, or could be perceived to compromise, the engagement leader's independence or objectivity.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Cabinet or senior management or staff.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We ask the Audit Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We have completed our work, subject to the following outstanding matters:

- Completion of our internal review procedures, including addressing any queries which may result from this.

Subject to the satisfactory resolution of these matters we anticipate issuing an unqualified value for money conclusion.

Internal controls

We will report minor internal control issues in a "Report to Management".

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the Annual Governance Statement.

Reporting requirements

We have to report to you any deficiencies in internal control that we found during the audit which we believe should be brought to your attention. There were no such significant deficiencies to bring to your attention.

We will report minor internal control issues separately to management and agree an action plan where relevant. This report will then be presented to the Audit Committee.

Risk of Fraud

Fraud is a risk in all organisations. We ask you to represent to us that you have made us aware of all fraud affecting the Authority.

Risk of fraud

We discussed with you your understanding of the risk of fraud and corruption and any reported instances when presenting our plan.

In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud is included in the letter of representation.

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Fees update

Fees update for 2012/13

We reported our fee proposals in our audit plan.

Our actual fees are expected to be in line with our proposals.

Our fee for certification of returns and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance in February within the *"Annual Certification Report to those charged with governance"*.

Appendices

The letter of representation includes generic and specific items that we require you to represent to us as appropriate in the compilation of the Statement of Accounts.

Appendix 1: Letter of representation

[Entity letterhead]

[Address]

Dear Sirs

Representation letter – audit Peterborough City Council's (the Authority) statement of accounts for the year ended 31 March 2013

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2013 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13.

I acknowledge my responsibilities as Executive Director, Strategic Resources (Chief Financial Officer) for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the Authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13; in particular the Statement of Accounts give a true and fair view in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the statement of accounts.
- Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

- All events subsequent to the date of the statement of accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the Statement of Accounts as a whole.

Information Provided

- I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the Authority's auditors, are aware of that information.
- I have provided you with:
  - access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the Authority's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the statement of accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
  – management;
  – employees who have significant roles in internal control; or
  – others where the fraud could have a material effect on the statement of accounts.

- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's statement of accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing statement of accounts.

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the Authority's ability to conduct its business or that could have a material effect on the statement of accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

Related party transactions

I confirm that we have disclosed to you the identity of the Authority related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits and Retirement Benefits

I confirm that the Authority has made you aware of all employee benefit schemes in which employees of the Authority participate. All significant retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the Authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and disclosed.

All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.

We have considered the assumptions made by our actuary in relation to the take-up of the entitlement to a lump sum under Regulation 3 of the Local Government Pension Scheme (Amendment) Regulations 2006 (Statutory Instrument 2006/966), and, in our view, the assumption of 50% take-up reflected in the accounts is the most appropriate assumption for the preparation of our financial statements and leads to the best estimate of scheme liabilities.

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Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any corporation or other direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the Authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the Authority or any associated company for whose taxation liabilities the Authority may be responsible.

Bank accounts

I confirm that we have disclosed all bank accounts to you including those that are maintained in respect of schools.

Subsequent events

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Other than as described in the Statement of Accounts, there have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

Assets and liabilities

The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The Authority has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the financial statements.

I agree with the findings of the Authority's external valuers, as experts in property valuation in determining the amount at which properties are stated in the 2012/13 accounts. I agree with their findings and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the financial statements and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Financial Instruments

Details of all financial instruments entered into during the year have been made available to you. Any such instruments open at the year-end have been properly valued and that valuation incorporated into the financial statements.

Where we have assigned fair values to financial instruments, I confirm that the valuation techniques, the inputs to those techniques and assumptions that have been made are appropriate and reflect market conditions at the balance sheet date, and are in line with the business environment in which we operate.

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Other matters

I have taken appropriate legal advice to satisfy myself that the accounting treatment adopted for the Local Authority Mortgage Scheme does not contravene the requirements of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

As minuted by the Audit Committee at its meeting on 23 September 2013

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Executive Director, Strategic Resources

For and on behalf of Peterborough City Council

Date ....

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