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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 2015 (*ISA (UK&I) 260*)

17

Government and Public Sector

September 2015

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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 Officer. 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.

An audit of the Statement of Accounts 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. This report details the findings from our work and makes recommendations for improvement, where appropriate.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2015; we have reviewed the plan and concluded that it remains appropriate. We have, however, reconsidered our risk assessment in relation to the valuation of property, plant and equipment. This is explained on pages 4 and 7.

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 29 September 2015.

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

- Receipt of 4 bank confirmations;
- Resolution of 2 minor queries on pay scales for 2 schools employees;
- Receipt of documentation for 2 individuals relating to Council Tax discounts;
- Receipt of a response from legal in relation to any legal matters and final consideration of schools accounting;
- Review of the Cash Flow Statement;
- Review of the detailed disclosures in the revised Statement of Accounts;
- Approval of the Statement of Accounts and letters of representation; and
- Review and completion procedures including subsequent events review.

This list represents those areas of the audit requiring finalisation at the time of drafting this report. We will update the Audit Committee on this list at the meeting on 21 September 2015.

We have revised our audit risk assessment from that included within our Audit Plan 2014/15. Further details of this and the reason for change are detailed on page 4.

There are audit and accounting matters as well as key judgments which we have drawn to the Audit Committee's attention – further details are set out on pages 10-14.

This is the final year of the Audit Commission framework contract and therefore our final year as your external auditor. On 1 April 2015, the Audit Commission ceased to exist. A novation of the original contract was signed, whereby these responsibilities have transferred to the Public Sector Audit Appointments Limited ("PSAA"). Therefore, all references to Audit Commission and PSAA in this report refer to the same body.

We remain committed to providing you with a high quality service and will work with your incoming auditors to ensure a smooth transition.

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

We look forward to discussing our report with you on 21 September 2015. Attending the meeting from PwC will be Julian Rickett and Karen McIntosh.

Acknowledgements

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

We thank the management and staff of the Authority for their co-operation and assistance during the course of our term of appointment and wish you well for the future.

Audit approach

Our audit approach was set in our audit plan which we presented to the Audit Committee in March 2015. Since we communicated our audit plan, we have amended our audit approach to reflect the changes described in the table below:

Risk	Risk Level	Response to new risk / change in risk level	Reason for change
<p>Valuation of Property, Plant and Equipment ('PPE')</p> <p>The scale and complexity of the Authority's estate presents a number of accounting challenges. The Authority's measurement of its properties at fair value involves a range of assumptions and the use of external valuation expertise. ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p> <p>In our previous audits, we have identified accounting issues in this area including :</p> <ul style="list-style-type: none"> - The assumptions and methodologies used by the Authority's external valuation expert; - The accounting for the construction of new Academy schools; and - The timing of movement of Assets under Construction to Property and therefore the depreciation start date. 	<p>Original – Elevated</p> <p>Revised – Significant</p>	<p>The response to the risk remains the same as detailed in our audit plan.</p> <p>However, as a result of the change from elevated to significant risk, the extent of work carried out has increased in order to be able to give a higher level of assurance to address the increased risk level.</p> <p>Our full response to the risk is detailed on page 7.</p>	<p>In line with a common approach we have taken across all our local authority audits, we have reconsidered our rating of this risk and revised our assessment of the risk of material misstatement to significant. This reflects the relative size of the balance in the Balance Sheet, together with the valuation judgements and findings in prior years.</p>

We have summarised on the following pages the significant risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

Risk	Categorisation	Audit approach	Results of work performed
<p>Risk of management override of controls</p> <p>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 and is not therefore specific only to Peterborough City Council. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p>▶ Significant</p>	<p>As part of our assessment of your control environment we considered those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>We performed procedures to:</p> <ul style="list-style-type: none"> • Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • Test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus; • Review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable (for example, pension scheme assumptions, valuation and impairment assumptions); • Evaluate the business rationale underlying significant transactions outside the normal course of business; and • Incorporate unpredictable procedures targeted on fraud risks. 	<p>We did not identify any issues to report to you as a result of our work.</p> <p>Key areas of judgement considered during our work are discussed in the section “Accounting matters” which commences on page 10.</p>

Risk	Categorisation	Audit approach	Results of work performed
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in local government.</p>	<p>▶ Significant</p>	<p>We obtained an understanding of the key revenue and expenditure controls.</p> <p>We evaluated and tested the accounting policies for income and expenditure recognition to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p>We also performed detailed testing of revenue and expenditure transactions, focussing on the areas we considered to be of greatest risk including:</p> <ul style="list-style-type: none"> • For income, we considered that sales, fees and charges were areas of significant risk; • For expenditure, we considered that non-payroll service expenditure was a significant risk; • We conducted tests of detail over accounting estimates for income and expenditure (for example, provisions); and • We performed cut-off testing on expenditure at year end to ensure that expenditure had been recorded in the correct financial year; and <p>We conducted tests of detail to obtain a high level of assurance over the significant risks described above.</p>	<p>We are pleased to report that our testing has not identified any issues to bring to your attention.</p>

Risk	Categorisation	Audit approach	Results of work performed
<p>Valuation of Property, Plant and Equipment ('PPE')</p> <p>As noted on page 4, the scale and complexity of the Authority's estate presents a number of accounting challenges. The Authority's measurement of its properties at fair value involves a range of assumptions and the use of external valuation expertise. ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</p>	<p>▶ Significant</p>	<p>We have:</p> <ul style="list-style-type: none"> • Challenged how management has satisfied itself that the key assumptions driving the revaluation of Property, Plant and Equipment at 31 March 2015 are appropriate for the circumstances of the Authority; • Used our own valuation experts to review the work of the valuation experts engaged by the Authority; • Tested the source data used by the valuation experts engaged by the Authority; • Challenged how management has satisfied itself that the element of PPE portfolio not subject to a formal revaluation at as 31 March 2015 is materially correct. • Considered the accounting treatment, with reference to any new schools construction, and their classification within the fixed assets note. 	<p>Key areas of judgement considered during our work are discussed in the section "Accounting matters" which commences on page 10.</p>

Risk	Categorisation	Audit approach	Results of work performed
<p>Risk of inappropriate accounting for schools' non current assets</p> <p>The Code of Practice on Local Authority Accounting 2014-15 ('the Code') has clarified the approach local authorities should adopt in relation to schools balances.</p> <p>Therefore, the Authority needs to carry out an exercise to ensure that it applies the appropriate guidance in relation its schools.</p>	Elevated	<p>We have audited the authority's approach to addressing the appropriate guidance – specifically that included within in CiPFA's Local Authority Accounting Panel (LAAP) bulletin 101 that provides guidance on the accounting treatment of non-current assets used by schools.</p> <p>We have checked that the Authority has obtained sufficient evidence to enable it to form a conclusion as to whether the non-current assets of individual schools should be included within its balance sheet.</p>	<p>Key areas of judgement considered during our work are discussed in the section "Accounting matters" which commences on page 10.</p>

Intelligent scoping

In our audit plan presented to you in March 2015 we reported our planned overall materiality which we used in planning the overall audit strategy.

Our overall materiality varied upon receipt of the draft 2014/15 financial statements as our planned overall materiality was based upon the 2013/14 financial statements. We confirm that the change has not had a significant effect on our testing strategy.

Our original and revised materiality levels are as follows:

	Original Level	Revised Level
	£	£
Overall materiality (2% of gross expenditure)	10,243,000	9,649,000
Clearly trivial reporting de minimis	500,000	482,000

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Audit Committee at its meeting in March 2015. This has been varied downwards to take account of the reduction in the overall materiality level.

Significant audit and accounting matters

Accounts

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

- Receipt of 4 bank confirmations;
- Resolution of 2 minor queries on pay scales for 2 schools employees
- Receipt of documentation for 2 individuals relating to Council Tax discounts;
- Receipt of a response from legal in relation to any legal matters and final consideration of schools accounting;
- Review of the Cash Flow Statement;
- Review of the detailed disclosures in the revised Statement of Accounts;
- Approval of the Statement of Accounts and letters of representation; and
- Review and completion procedures including subsequent events review.

This list represents those areas of the audit requiring finalisation at the time of drafting this report. We will update the Audit Committee on this list at the meeting on 21 September 2015.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and the approval of these, 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. This work remains ongoing at the time of writing. Subject to the satisfactory conclusion of this work, we anticipate issuing an opinion on 29 September 2015

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stating in our view they are consistent with the Statement of Accounts.

We will provide a verbal update at the meeting on 21 September 2015.

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.

We have identified four accounting issues during the course of our work that we wish to draw to your attention:

- Valuation of the Authority's Property, Plant and Equipment (PPE);
- Lack of reconciliation of gross internal area (GIA) documentation;
- Accounting for schools non-current assets; and
- Pension liability on the Authority balance sheet.

Valuation of the Authority's Property, Plant and Equipment (PPE)

In the application of the Authority's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of PPE. These estimates and associated assumptions for the carrying amounts of these balances are based upon a revaluation exercise performed at the beginning of the year. An impairment review is undertaken at the year-end, which assesses whether there has been any material movements on the assets during the year.

The Authority engaged its property valuer, Wilks Head & Eve LLP (“WHE”), in 2014/15 to perform a valuation exercise for 20% of the Authority’s PPE and to assess the unvalued 80% of the Authority’s PPE and whether a material movement had occurred. WHE also valued the Authority’s Investment Properties.

The draft accounts include total PP&E with a net book value of £578.4m, largely made up of land and buildings (net book value of £330.8m) and infrastructure assets (net book value of £133.6m). As a result of the valuation exercise, there has been a net decrease in value of £1.6m for the Authority’s PPE.

Our valuation experts have reviewed the assumptions and methodologies used by the Authority’s external valuation expert. We draw your attention to one matter in relation to these assumptions, which is one we have raised in previous ISA 260 reports - 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.

As in previous years, this matter regarding the assumptions has 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.

We have compared the land valuations provided by WHE against a range of expected market values for the local area provided by our PwC valuers. We are satisfied that the land valuations are within this range.

Management has also carried out an impairment review during the year, for assets that were not re-valued in 2014/15 and are comfortable that the values of these land and buildings assets are not materially misstated in the financial statements.

Through consultation with PwC’s valuation experts, we have concluded that the financial information derived from the valuation performed, is within an appropriate range and would not result in a material misstatement of the Authority’s financial statements. However, given valuations are performed on a cyclical basis, the Authority will need to continue to consider the market conditions annually and the necessity to revalue more than 20% of the portfolio of PPE if significant movements in the market arise.

In relation to infrastructure assets, we have suggested enhancements to the current disclosures and accounting policy description.

Lack of reconciliation of Gross Internal Area (GIA) documentation

The Authority’s property valuer, Wilks Head & Eve LLP (“WHE”), prepare their valuation of certain properties based on the gross internal area (GIA) of that property. This information is provided to WHE by the Authority and therefore any errors in this could impact the valuation and ultimately the amounts included in the Balance Sheet.

In testing the GIAs on the valuation certificates back to supporting documentation (e.g. information on the Authority’s asset register, floor plans and lease documentation), we noted large differences which could not be easily explained by officers, in for 4 out of 6 properties tested.

Investigation into these differences has identified the differences are due to:

- Floor plans being out of date;
- The Authority owning only part of the asset; and
- Finance lease agreements being in place for part of the asset.

In relation to outdated floor plans, WHE identified this during their valuation work, re-measured the sites and used the revised measurement within their valuation. In relation to the remaining bullet points, we noted that the Council's fixed asset system only identified the size of the whole asset and did not take into account floor sizes of partly owned assets or leased assets. These matters had however, been taken into account, by WHE in their valuations.

Where WHE have updated the GIA based on a re-measurement of the site, this information has not been updated in the Authority's asset register.

Our work in this area has concluded that the amounts on the valuation certificates are appropriate and therefore no adjustments have been made to the accounts as a result of this matter.

However, we have included this matter within our Internal Controls section of this report on page 21, as we believe it represents a control weakness within the accounting for capital as GIA information should be current and accurate.

Accounting for schools' non-current assets

In accordance with the Code of Practice on Local Authority Accounting 2014-15 ('the Code') and LAAP Bulletin 101 CiPFA's Local Authority Accounting Panel (LAAP) bulletin 101, the Authority has reviewed its treatment on accounting for schools' non-current assets.

In summary terms, the guidance requires schools' non-current assets to be included on the Authority's Balance Sheet if they are controlled by the Authority as a result of past events and from which future economic benefits or service potential are expected to flow to the Authority. Control over the asset must be based on rights that are either legal or substantive.

The Authority's assessment of the accounting treatment concluded that for:

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- Foundation schools – control is with the school. However, as these schools are local authority maintained and therefore consolidated into the Authority's financial statements, these school's non-current assets have also been brought on to the Authority's Balance Sheet.

The Authority has undertaken a prior period adjustment to recognise these assets. We have reviewed the prior period adjustments made and are pleased to report that we have no matters which we wish to bring to the attention of the Committee.

- Voluntary aided / voluntary controlled schools – control is with the governing body and not the Authority. Therefore these assets have not been included on the Balance Sheet and no adjustments have been made to the accounts as a result.

During our review and testing of the Authority's assessment of its accounting treatment for voluntary aided/voluntary controlled schools non-current assets, we identified that:

- For one school, no title documents could be located to confirm the legal owners of the assets and assess the legal rights over the asset; and
- For 4 voluntary aided/voluntary controlled schools schools, title deeds confirmed that the Authority, and not the governing body, is legal owner of the assets.

We have reviewed the judgements made by the Authority within its assessment and challenged the assumptions made on these 5 schools, which have a net book value as at 31 March 2015 of £9.5m.

It is the Authority's view that legal ownership should reside with, and is in the process of transferring to, the governing bodies of the schools, who have substantive control over these assets. Therefore, the Authority does not have control

over the assets and has not included these assets in the balance sheet.

We have reviewed supporting evidence, including relevant legislation, provided by the Authority's legal team and requested full disclosure of this matter within the Statement of Accounts 2014/15. We are satisfied that this disclosure has been made within note 43 "Critical Judgement in Applying Accounting Policies".

Furthermore, we require representation that the Authority considers its judgements in relation to voluntary aided / voluntary controlled schools is reasonable and appropriate to give a true and fair view for the Authority's particular circumstances.

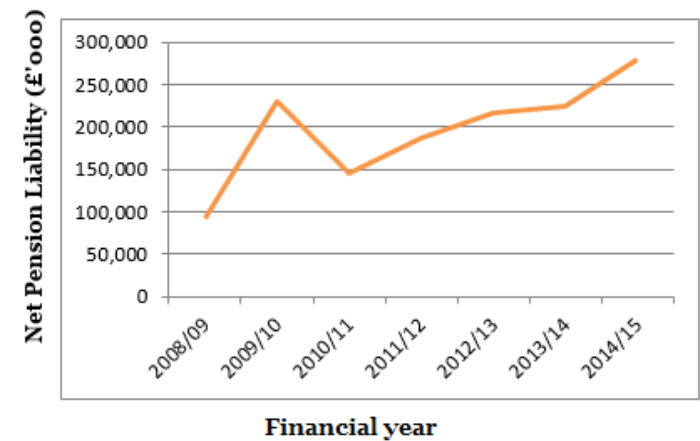
Through of review of the evidence and in consultation with our accounting technical team we have concluded that the judgements made are acceptable.

Pensions 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. The Authority's net pension liability at 31 March 2015 was £279 million (2014 - £224.3 million). This increase in liabilities was mainly due to actuarial losses incurred of £75.3m, (the majority of which resulted from changes in financial assumptions made by the actuary) which was offset by the return on plan assets during the year of £23.7m.

The chart below shows the significant movement in your net pension liability over the last few years.

Authority net pension liability between 2008/09 and 2014/15



We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range.

We audited the data supplied to the actuary on which to base their calculations and we have placed reliance on the work undertaken by the auditors of the Cambridgeshire County Council Pension Fund in relation to the pension assets within the scheme. We have identified no significant matters from our work in this area.

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 – we are pleased to note there are no uncorrected misstatements.

We also bring to your attention the misstatements which have been corrected by management but which we consider

you should be aware of in fulfilling your governance responsibilities. We are pleased to note there have been no significant corrected misstatements above materiality in 2014/15.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask the Audit Committee 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.

We have reviewed the appropriateness and application of accounting policies in the Statement of Accounts, with no issues noted.

Judgments and accounting estimates

The Authority is required to prepare its financial statements in accordance with the CIPFA Code. Nevertheless, there are still many areas where management need to apply judgement to the recognition and measurement of items in the financial statements. The following significant judgements and accounting estimates were used in the preparation of the financial statements:

Valuation of Property, Plant and Equipment – Our comments on the judgements and estimates made in relation to this area are included on pages 10 and 11. We have agreed the assumptions and estimates made within these valuations to be within a reasonable range.

Valuation of Investment Properties - During the year, the Authority revalued its investment property portfolio. The valuation was performed by WHE LLP. The valuation methodology includes a number of key judgements and estimates, including those around future income streams and

property yields. We engaged our internal valuations experts to consider these assumptions and estimates used in the valuations and have agreed those used to be within a reasonable range.

Property, Plant and Equipment – Depreciation - The Authority charges depreciation based on an estimate of the Useful Economic Lives of assets for the majority of its Property, Plant and Equipment (PPE). The total depreciation charge in 2014/15 was £21.8 million (2013/14 £22.6 million). We have considered the useful economic lives assigned to the Authority's PPE portfolio against CIPFA and valuation guidance and have agreed those used to be within a reasonable range.

Accounting for Schools non-current assets – Our comments on the judgements and estimates made in relation to this area are included on pages 11. We have agreed the judgements made are reasonable.

Valuation of Pensions Liability - Our comments on the judgements and estimates made in relation to this area are included on pages 11 and 12. We have considered these assumptions against actuarial guidance and have agreed those used to be within a reasonable range.

Continuing operations – There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. We have considered this as part of our value for money work.

Management representations

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

As noted above on page 12, we require representation that the Authority is satisfied with the appropriateness of the accounting treatment it has adopted in relation to its voluntary aided / voluntary controlled schools.

Financial standing

We have not identified any material uncertainties related to events and conditions that may cast significant doubt on the entity's financial standing.

Related parties

In forming an opinion on the financial statements, we are required to evaluate:

- whether identified related party relationships and transactions have been appropriately accounted for and disclosed; and
- whether the effects of the related party relationships and transactions cause the financial statements to be misleading.

We performed detailed testing over related parties including a public record search of Members and Senior Officers Members (including those leaving office during the year) to identify any additional relationships by comparing related entities to supplier and customer listings.

We did not identify any matters during the course of our work.

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.

Relationships between PwC and the Authority

We are not aware of any relationships between PwC and the Authority that in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

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, or holding discussions in respect of employment, by 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, PwC has also undertaken other work for the Authority:

Support provided by PwC	Value (£)	Threats to independence and safeguards in place
<p>Role of the engagement leader – Julian Rickett.</p> <p>This is Julian's 8th year as Engagement Leader to Peterborough City Council, one year longer than the 7 year maximum period set by the Audit Commission.</p> <p>This one year extension has been sought by us and approved by the Audit Commission following consultation with officers and the Audit Committee.</p>	n/a	<p>Self Review threat: there is no self-review threat as we are providing assurance on management completed accounts.</p> <p>Self Interest Threat: the fees associated with the audit of Peterborough City Council are not significant in the context of the engagement leader's overall audit portfolio.</p> <p>Management threat: this does not arise as the Engagement Leader and PwC are not taking decisions which are the responsibility of management.</p> <p>Advocacy threat: this does not arise as the work will be limited to the testing of information provided by the Authority and does not result in advocacy. The Engagement Leader and PwC are carrying out reasonable assurance procedures and not providing assurance or advocacy on behalf of the client.</p> <p>Familiarity Threat: During his tenure as Engagement Leader, there have been changes in the Members of the Audit Committee and the Chair. We therefore do not consider there to be a familiarity threat.</p> <p>To mitigate any perceived threat, we have assigned an independent Quality Review Partner to this engagement to review the audit work undertaken including reviewing and challenging those areas identified in this plan as significant and elevated risks.</p> <p>Intimidation Threat: We have concluded that this work does not pose an intimidation threat.</p>
<p>Certification of claims and returns</p> <p>Our procedures will consist of certifying the 2014/15 Housing Benefit Subsidy Claim in accordance with the certified instructions issued by the Audit</p>	18,740	<p>Self-Review Threat: The audit team will conduct the grant certification and this has arisen due to our appointment as external auditors.</p> <p>There is no self-review threat as we are certifying management completed grant returns and claims.</p> <p>Self-Interest Threat: As a firm, we have no financial or other interest in the results of the Authority.</p> <p>We have concluded that this work does not pose a self-interest threat.</p>

Support provided by PwC	Value (£)	Threats to independence and safeguards in place
Our procedures will consist of certifying the 2014/15 Housing Benefit Subsidy Claim in accordance with the certified instructions issued by the Audit Commission.		<p>Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.</p> <p>Advocacy Threat: We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat.</p> <p>Familiarity Threat: Work complements our external audit appointment and does not present a familiarity threat.</p> <p>Intimidation Threat: We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism.</p>
Teachers' Pension Review	2013/14: £9,840	<p>Self Interest Threat: Fees are not material in relation to the audit fees and PwC's total income.</p> <p>Self-Review Threat: This does not arise as the work we undertake provides reasonable assurance over the accuracy of the teachers' pension return for and will not be relied upon by the PwC audit team as part of the audit of the main accounts.</p> <p>Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.</p> <p>Advocacy Threat: This does not arise as the work will be limited to the testing of information provided by the client and does not result in advocacy. PwC are carrying out reasonable assurance procedures and not providing assurance or advocacy on behalf of the client.</p> <p>Familiarity Threat: This does not arise as a separate team from the audit team is being used to carry out this work.</p> <p>Intimidation Threat: We have concluded that this work does not pose an intimidation threat.</p>
Work outside the scope of the Audit Commission Code of Audit Practice – procedures on the 2013/14 and 2014/15 Teachers' Pensions return.	2014/15: TBC	

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2015 is included on pages 21 and 22. 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 Public Sector Audit Appointments Limited'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. Public Sector Audit Appointments Limited'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, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor's independence or objectivity.

As noted above, on page 15, whilst 2014/15 is Julian Rickett's 8th year as engagement leader we have implemented appropriate safeguards and obtained permission from the Audit Commission for Julian to undertake this role.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority, 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 would 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".

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.

Public Sector Audit Appointments Limited 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.

In our Audit Plan 2014/15, we identified the following heightened risk relating to the Authority's financial resilience. We have summarised in the following table the audit approach we took to address this risk and the outcome of our work.

Risk	Audit approach	Results of work performed
<p>Savings Plans – financial resilience criterion</p> <p>The Authority, in common with many local authorities, is experiencing increased pressures on many of its budgets. Current and forecast reductions in funding and changing demand for services require the Authority to deliver significant savings in the current and future years.</p> <p>In the five years to 2015/16, the Authority has seen its government funding cut by £44m, which equates to nearly 39% of its government grant. For 2015/16, the cut in grant is £12.5m and additional pressures arise from the need to provide statutory services and implement legal changes totalling £12.5m. The revised budget gap for 2015/16 prior to any savings plans is £25m, increasing to £44.6m in 2019/20.</p> <p>There is a risk that saving plans may not be robust and the Authority is unable to demonstrate that it has achieved value for money in its use of resources.</p>	<p>We have reviewed the Authority's medium term financial strategy and:</p> <ul style="list-style-type: none"> • Considered how the Authority manages the strategy, • Investigated the reasons behind any significant variations from the plan; • Considered the Authority's record in delivering savings; • Considered the governance structure in place to deliver the targets (including extent of Member involvement); • Considered the level and extent of accountability; • Reviewed project management arrangements; • Reviewed arrangements relating to monitoring and reporting; and • Considered progress on delivering the plan, including considering the assumptions and progress made in relation to individual savings plans. 	<p>Our work in this area is on-going. To date, we have not identified any matters which we wish to bring to your attention.</p> <p>We provide further comment below.</p>

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

- Discussion with officers in relation to spend and savings plans for Adult Social Care and Children's services;
- Review of recent plans to be submitted to Cabinet working group in September 2015; and
- Undertaking our internal quality review procedures.

Subject to the satisfactory completion of these procedures, we anticipate issuing an unqualified value for money conclusion.

We have obtained and reviewed the Medium Term Financial Strategy, including the assumptions utilised in identifying any funding gaps arising.

The forecast deficit identified and recurring funding savings required each year of the MTFS as presented to Cabinet on 4 March 2015 is as follows:

Year	Budget deficit (£m)	Recurrent funding savings required (£m)
2015/16	nil	-
2016/17	10.1	10.1
2017/18	14.1	3
2018/19	17.5	3.4
2019/20	20.5	3

The total recurrent savings required over the first five years of the MTFS are therefore £19.5m.

Since March 2015, other financial pressures have emerged – largely as a result of reductions in grant funding. As a result the forecast deficit for 2016/17 has increased to £18.3m. Officers are working with Cabinet and the cross party Budget Working Group to develop proposals to deliver a balanced budget.

Since March 2015, other financial pressures have emerged – largely as a result of further estimated reductions in grant funding for 2016/17. The actual funding reductions will be announced as part of the Government's Spending Review on the 25th November 2015. As a result of this, and additional in-year pressures, the forecast deficit for 2016/17 has increased to at least £18.3m. Officers are working with Cabinet and the cross party Budget Working Group to develop savings proposals to deliver a balanced budget. The first of the two phase approval process for these savings proposals is well underway, with a number of savings options identified. These are expected to be approved by Council on the 17th December 2015. The second phase, providing a balanced budget for 2016/17, is expected to be approved by Council on the 9th March 2016. We have

considered and discussed the emerging savings options with officers, in order to understand the current plans to address the funding gap. We note that the plans are at various stages of development.

We have considered the Authority's historic record in delivering savings; the monitoring and reporting arrangements in the place and the governance structure in place. As in the prior year, we are satisfied that appropriate arrangements and processes are in place to identify savings to address the funding deficit for 2016/17.

In undertaking this work, we have not identified any matters to date, in relation to the arrangements in place at the Authority to secure financial resilience that would cause us to modify our Use of Resources conclusion. Clearly, however, the ongoing achievement of savings, together with the impact of future financial settlements should remain a key focus for the Authority.

Internal controls

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.

As detailed within the accounting matters section of this report, we have identified a control deficiency within the accounting for property, plant and equipment which we believe should be brought to your attention. This is set out in the table below. We have also identified a deficiency in relation to IT general controls which we was first raised for the attention of the Audit Committee in 2011/12. The Audit Committee accepted the management response at that point in time, however as the issue has not been resolved we are re-raising for the Committee's consideration in the table below.

We will report other internal control issues separately to management and agree an action plan where relevant.

Summary of internal control deficiencies for the Audit Committee's attention

Deficiency	Recommendation	Management's response
<p>Lack of reconciliation of Gross Internal Area (GIA) documentation</p> <p>The GIA on 4 out of 6 valuation certificates chosen for testing did not agree with the records held on the Authority's fixed asset register. The amounts recorded on the fixed asset register had been updated by WHE in valuing the asset as a result of:</p> <ul style="list-style-type: none"> Floor plans being out of date; 	<p>We recommend that the Authority liaise with WHE to improve the quality of GIA information stored on its fixed asset system in relation to its properties. This information should be fully reconciled and up-to-date.</p> <p>In addition, the Authority should understand the reasons for and consider the appropriateness of any large differences in the GIA recorded on the valuation</p>	<p>Agreed.</p> <p>Action: Strategic Property will review and update working practices to implement this recommendation. The Asset Register year end checklist will be updated to include review of any large differences in the GIA recorded on the valuation certificate and the information held by the Authority.</p> <p>Owner: Jon Lewis / Strategic Property</p>

<ul style="list-style-type: none"> • The Authority owning only part of the asset; and • Finance lease agreements being in place for part of the asset. <p>Where WHE have updated the GIA as part of the valuation, this information has not been updated in the Authority's asset register.</p> <p>There is a risk that any errors in the GIAs used for the valuation may not be picked up by the Authority and could result in incorrect valuations leading to material misstatements in Property, Plant and Equipment recorded in the Balance Sheet.</p>	<p>certificate and the information held by the Authority.</p>	<p>Timescales: in time be to be effective on the Statement of Accounts 15/16</p>
<p>Access to datafiles and super user access to applications</p> <p>Three SERCO employees have access to datafiles and super user access to applications. There is a risk of unauthorised access to high level functionality within the system. Application controls may be overridden and changes made to tables without authorisation/audit trail.</p>	<p>Access to data files should be restricted to non-operational personnel i.e. segregation of duties should be maintained between data base access and application access.</p>	<p>This recommendation will require review when we move to the new finance system (Agresso) with its inherently different controls The FSS team currently have the ability to carry out system wide set up changes to the look, feel and configuration of the finance system including the tasks listed below:</p> <ul style="list-style-type: none"> • User access • User access levels and limitations • Approval hierarchies • Transactional processing formats and fields • System security and controls • System tolerances • Configuration changes <p>This access is restricted to a system administration and superuser level of access so that control can be provided over these changes. Any changes are only made when the required audit trail and necessary approval is received.</p>

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Audit Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

Your views on fraud

In our audit plan presented to the Audit Committee in March 2015 we enquired:

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

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.

Conditions under which fraud may occur

Management or other employees have an incentive or are under pressure

Incentive / pressure



Opportunity	Rationalisation/attitude
Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls	Culture or environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act

Fees update

Fees update for 2014/15

We reported our fee proposals in our Audit Plan 2014/15. In addition, we reported that we anticipated that certain of the risks (as detailed on pages 5-8 and 19) would lead to additional fees over and above the indicative fee level.

We have undertaken additional work as a result of the risks included within our audit plan and therefore have varied our audit fees from those included within our Audit Plan. In addition, we have also undertaken additional work as a result of the change in our audit risk assessment as detailed on page 4.

Our fees charged are therefore:

	2014/15 outturn (£)	2014/15 fee proposal (£)	2013/14 outturn (£)
Audit work performed under the Code of Audit Practice	144,710	144,710	143,640
- Statement of Accounts			
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources			
- Whole of Government Accounts			
Additional fees as a result of audit risk assessment (see note 1)	15,723	-	23,506
Grant Certification (see note 2)	TBC	18,740	18,159
Other reporting responsibilities	-	-	11,970
TOTAL WORK PERFORMED UNDER THE CODE OF PRACTICE	TBC	163,450	197,275
Non-audit work (outside of the scope of the Code of Audit Practice)	9,840	9,840	-
- Teachers Pensions Return 2013/14 (see note 3)			
TOTAL WORK	TBC	173,290	197,275

Notes

1. Additional work has been undertaken in the following areas in order to address the significant risks identified:

Risk	Fee (£)	Notes
Valuation of Property, Plant and Equipment	4,014	Since presenting our Audit plan to the Audit Committee in March 2015, we have reassessed the risk relating to the valuation of property as significant (as detailed on page 4 of this report). The extent of audit work carried out has increased in order to be able to give a higher level of assurance to address the increased risk level. Therefore, we have varied our proposed fee to by £4,014 to meet the costs of this additional work.
Accounting for Schools	6,669	We have undertaken additional work, over and above the work outlined in the indicative fee proposed, to address this risk. Our work has included: Assessing and challenging the Authority's assessment in relation to the treatment of schools non-current assets; and Reviewing and testing the prior period adjustment made to include schools' non-current assets on the Balance Sheet.
Value for money	5,040	We have undertaken additional work to address this risk, over and above that outlined in the indicative fee proposed. This was necessary as material budget 'gaps' were identified in the Authority's medium term financial strategy.
TOTAL WORK	15,723	

We have discussed this additional fee with the Corporate Director: Resources and are in the process of agreeing this additional fee with the Public Sector Audit Appointments (PSAA) Ltd.

2. Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to those charged with governance in February 2016 within the Certification Report to Management in relation to 2014/15 grants.
3. Non audit work includes work of £9,840 in relation to the 2013/14 Teacher's Pensions Agency certification that the Authority engaged us to perform. This work was undertaken outside of the remit of the Audit Commission Code of Audit

Practice and is therefore reported as non-audit work. Although the work was on the 2013/14 return, the work was undertaken within 2014/15 and therefore falls to be a fee within the 2014/15 year.

We are in the process of agreeing with management, the arrangements and fee for the work to be undertaken on the 2014/15 Teachers Pensions Agency claim. This work, which again will be undertaken outside of the remit of the Audit Commission Code of Audit Practice, is due to be performed in October and November 2015. Therefore, it will form part of the fee for the 2015/16 year.

Appendices

Appendix 1: Letter of representation

[Entity letterhead]

PricewaterhouseCoopers LLP
Abacus House
Castle Park
Cambridge
CB3 0AN

Dear Sirs

Representation letter – audit of Peterborough City Council’s Statement of Accounts for the year ended 31 March 2015

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of Peterborough City Council (the Authority) give a true and fair view of the affairs of the Authority as at 31 March 2015 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 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Corporate Director: Resources 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 2014/15 supported by the Service Reporting Code of Practice 2014/15; 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.

Peterborough City Council

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 2014/15 requires adjustment or disclosure have been adjusted or disclosed.

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 the 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.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that the attached Appendix 1 to this letter is a complete list of the Authority's related parties. All transfer of resources, services or obligations between the Authority and these parties have been disclosed to you, regardless of whether a price is charged. We are unaware of any other related parties, or transactions between disclosed related parties.

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 2014/15.

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

I confirm that we have made you aware of all employee benefit schemes in which employees of the Authority participate.

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 2014/15.

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 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 for 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.

Pension fund registered status

I confirm that the Cambridgeshire County Council Pension Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

Pension fund assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2015, have been taken into account or referred to in the Statement of Accounts.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you. Any such instruments open at the 31 March 2015 have been properly valued and that valuation incorporated into the Statement of Accounts.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

Retirement benefits

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 and/or disclosed.

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

The following actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with my knowledge of the business and in my view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

Description	Local Government Pension Scheme
Rate of Inflation	2.4%
Salary Increase Rate	4.3%
Pension Increase Rate	2.4%
Discount Rate	3.2%

Local Government Pension Scheme - Average future life expectancies at age 65		
	Men	Women
Current Pensioners	22.5	24.5
Future Pensioners	24.4	26.9

Bank accounts

I confirm that I have disclosed all bank accounts to you.

Subsequent events

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.

Provisions

Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the statement of accounts and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary, have been appropriately disclosed in the Statement of Accounts.

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 Statement of Accounts.

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 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 Statement of Accounts.

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.

Using the work of experts

I agree with the findings of Wilks, Head & Eve LLP ("WH&E"), experts in evaluating the valuation of investment property and property, plant and equipment and Hymans Robertson, experts in evaluating the net pensions liability. I have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts 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.

Financial Instruments

Where fair values have been assigned 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.

Accounting for Schools Non-Current Assets

I confirm that the Authority has determined a proper application of CIPFA's guidance, as detailed within LAAP Bulletin, on accounting for schools' non-current assets. I consider the judgements made by the Authority in assessing whether the assets are within the Authority's control are appropriate and reflect underlying supporting documentation. In relation to the voluntary aided and voluntary controlled schools non-current assets for which the Authority holds legal title, I am satisfied that the judgements made to exclude these from the Balance Sheet is appropriate based on the Authority's circumstances and legislation in place.

Items specific to Local Government

I confirm that the Authority does not have plans to implement any redundancy/early retirement programmes for which we should have made provision in the Statement of Accounts.

I confirm that the Authority has determined a prudent amount of revenue provision for the year under the Prudential Framework.

I confirm that the Authority has determined a proper application of the statutory provisions for the neutralisation of the impact of accumulating compensated absences on the General Fund balance.

As minuted by the Audit Committee at its meeting on 21 September 2015.

.....

Corporate Director: Resources

For and on behalf of the Audit Committee

Date

Appendix 1 - Related parties and related party transactions

Cambridgeshire Police and Crime Panel	South Bretton Community Association
Cambridgeshire and Peterborough Fire Authority	South Grove Community Association
Peterborough Investment Partnership LLP	Southfields Community Association
Blue Sky Peterborough Ltd	Stanground Community Association
Cohesion and Diversity Forum	Walton Community Association
Greater Peterborough Partnership Executive Board	Werrington Community Association
Safer Peterborough Partnership	Werrington Neighbourhood Council
Youth Justice Board	Westwood and Ravensthorpe Community Association (Stafford Hall Management Committee)
Local Government Association	Woodston Community Association (Belsize Centre)
Eastern Shires Purchasing Organisation (ESPO)	Barn Youth Centre
Great Fen Project Steering Committee	Bedford Hall (Thorney Community Association)
Greater Cambridgeshire Greater Peterborough Local Transport Body	Herlington Community Centre (Herlington Community Association)
Local Government Employers Panel	Hodgson Community Centre (Hodgson Community Association)
London Stansted Cambridge Consortium	Loxley Community Centre (Loxley Community Association)
Natural Cambridgeshire	Manor Farm Community Centre – Eye Community Association
Regional Transport Forum	Matley Community Centre (Salvation Army)
Cambridgeshire and Peterborough Road Safety Partnership	Orton Goldhay Community Centre Management Committee
Cambridgeshire and Peterborough Road Safety Forum	Parnwell Community Centre (Parnwell Community Association)
Cambridgeshire and Peterborough Waste Partnership (Recap Board) - formerly Waste and Environment Forum	Riverside Community and Sports Centre Interim Committee
Cross Keys Homes Board	St Johns Hall Mayors Walk (West Town Community Association)
Greater Cambridge and Greater Peterborough Local Enterprise Partnership	Thorney Community Association
Opportunity Peterborough Audit Committee	Wistow Community Centre (Orton Wistow Community Association)
Opportunity Peterborough Board	Atlantis Furniture
Pensions Committee - Cambridgeshire County Council	Broadway Properties
Peterborough and Stamford NHS Foundation Trust	Bromco Property Rentals Limited
Peterborough Museum and Art Gallery	Cap Radio Production & Media Buying Services Ltd

Peterborough Safeguarding Adults Board	Cereste Consultancy
Peterborough Safeguarding Children Board	Cereste Holdings Ltd
Standing Advisory Committee for Religious Education	Cereste Property Holdings
Vivacity - Peterborough Culture and Leisure Trust	Energy Park Investment Ltd
Anglian Northern Regional Flood and Coastal Committee - Environment Agency	Energy Park Peterborough Ltd
Inspire Peterborough Board	Green Energy Park Consulting Ltd
Nene Park Trust	Green Energy Parks Ltd
North Level Internal Drainage Board	Jumped Up Theatre Company
Peterborough Association for the Blind	M Nadeem and M Yousaf Properties
Peterborough Cathedral Trust	M.J Immigration
Peterborough Local Access Forum	Mint Consulting Peterborough
Peterborough Racial Equality Council	Nadeem Constuction LTD
Railworld	Nadeem Properties
Welland and Deeping Internal Drainage Board	NM Creations Ltd
Charity consisting of cups etc of former 336 Field Battery RA (TA) Board of Trustees	Opportunity Peterborough Ltd
Dogsthorpe Landfill Local Liaison Committee	Orton Longueville Parish Council
Eye Quarry Local Liaison Committee	Peterborough Community Radio Ltd
James Bradfield Trust (Helpston)	Peterborough Environment City Trust
Maxey Quarry Liaison Committee	Peterborough Fishing & Mailing Services Ltd
Pode Hole Quarry Local Liaison Committee	Peterborough Regional College
Thornhaugh 1 Local Liaison Committee	Peterborough Renewable Energy Ltd
Dogsthorpe Community Association	Prestige Classic Cars
East Community Association	Prestige Transport Logistics Limited
Gladstone District	Prime Properties Peterborough
Glinton Community Association	Renewable Energy Parks Ltd
Hampton Vale Community Association	Renewable Technology Consultants Ltd
Italian Community Association	Russell Street Developments
Longthorpe Community Association	Saxon Antiques
Millfield and New England Regeneration Partnership	Sheila Scott (Consultancy)
Millfield Community Association	St Josephs Day Nursery Ltd
Newborough and Borough Fen Community Association	Train 2B Limited
North Bretton Community Association	Windtech Solutions Ltd
Northborough Community Association	Thomas Deacon Academy
Pakistan Community Association	Worldwide Travel Training Ltd
Paston and Gunthorpe Community Association	Worldwide Training Partnership
	Yasmeen Maqbool Ehsaas Consultants



In the event that, pursuant to a request which Peterborough City Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Peterborough City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Peterborough City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Peterborough City Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Peterborough City Council and solely for the purpose and on the terms agreed through our contract with Public Sector Audit Appointments Limited. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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