South Lanarkshire Council

Annual report to Those Charged with Governance and the Controller of Audit

Year ended 31 March 2015

September 2015

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22nd September 2015

Ladies and Gentleman,

We are pleased to enclose our report to South Lanarkshire Council in respect of our audit for the year ended 31 March 2015. The primary purpose of this report is to communicate the significant findings arising from our audit that we believe are relevant to those charged with governance.

The scope and proposed focus of our audit work was summarised in our audit plan, which we presented to the Risk and Audit Scrutiny Forum in March 2015. We have subsequently reviewed our audit plan and concluded that our original risk assessment remains appropriate. The procedures we have performed in response to our assessment of significant audit risks are detailed in Section 2.

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the financial statements on 23rd September. At the time of writing, the key outstanding matters, where our work has commenced but is not yet finalised, are approval of the statement of Accounts and letters of representation and completion procedures including subsequent events review. We will provide an oral update on these matters.

We look forward to discussing our report with you. Attending the meeting from PwC will be Martin Pitt and Gillian Collin.

Yours faithfully

PricewaterhouseCoopers LLP

Contents

Section 1. Executive summary ***4***

Section 2: Significant audit and accounting matters ***6***

Section 3. Financial standing ***13***

Section 4. Best value and performance ***19***

Section 5. Governance and internal control ***22***

Section 6. Fraud ***25***

Section 7. Independence ***27***

Appendix 1: Identified misstatements 28

Appendix 2: Letter of representation 29

Section 1. Executive summary

Introduction

This report sets out the significant findings from our audit of South Lanarkshire Council ("the Council") for the year ended 31 March 2015. We presented our plan to you in March 2015 setting out the focus of our audit; we have reviewed the plan and concluded that it remains appropriate.

Framework for Our Audit

Our audit is conducted in accordance with Auditing Standards (International Standards on Auditing ('ISAs') (UK and Ireland)) and the Code of Audit Practice ('the Code').

The Code explains how external auditors should carry out their functions under the Local Government (Scotland) Act 1973. The audit of financial statements is covered by engagement and ethical standards issued by the UK Auditing Practices Board (APB), so the Code focuses more on the wider functions of public sector auditors.

Audit Summary

We have completed the majority of our audit work and expect to be able to issue an *unqualified audit opinion* on the financial statements on 23rd September 2015. The key outstanding matters, where our work has commenced but is not yet finalised, are:

- Approval of the statement of Accounts by the Executive Committee and signing of the letters of representation by the S95 Officer; and
- PwC completion procedures including subsequent events review.

Financial Statements

As a result of our work, we proposed a number of disclosure adjustments to the draft financial statements which have been resolved and accepted by management. There are no unadjusted misstatements at the conclusion of our audit.

We found that the draft financial statements and accompanying working papers were of a high standard and accounting records were appropriately maintained.

Management responsibility

It is the responsibility of the Council and the Responsible Financial Officer to prepare the financial statements in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003. This means:

- selecting suitable accounting policies and applying them consistently;
- making reasonable and prudent judgements and estimates;
- maintaining proper accounting records; and
- preparing financial statements timeously which give a true and fair view of the financial position of the Council and its expenditure and income for the year ending 31 March 2015 and which comply with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the UK 2014/15 (the Code).

Auditors' responsibilities

Our statutory responsibilities require us to provide you with an audit report stating whether, in our opinion the financial statements and the part of the remuneration report to be audited:

- give a true and fair view of the financial position of the Council and its expenditure and income for the year;
- were prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and
- the information which comprises the management commentary included with the financial statements is consistent with the financial statements.

We are also required to review and report as necessary on other information published with the financial statements, including the annual governance statement and the remuneration report.

Financial performance

In 2014/15, as recorded in the comprehensive income and expenditure statement, the Council spent £1,023.503 million on the provision of public services. Income for the year totalled £1,030.473 million, resulting in an accounting surplus of £6.970 million on the provision of public services (2014: £87.792 million deficit).

The large deficit in 2013/14 was largely due to the settlement of equal pay claims with a cost to the Council of £70.359 million; the cost related to equal pay in 2014/15 was £12.147 million accounting for much of the positive movement in financial outturn.

The balance on the Council's General Fund was £17.548 million at 31 March 2015 to be carried forward into 2015/16, an increase of £4.161 million in the year. The overall movement in usable reserves including the Housing Revenue Account, Capital Receipts Reserve, and Repairs and Renewals Fund, was an increase of £8.392 million in 2014/15, compared to a reduction of £57.934 million in useable reserves during 2013/14.

The Council has budgeted to achieve savings of £17.606 million in 2015/16, including efficiency and outturn of £9.401 million.

Further details of the Council's financial performance can be found in the Financial Standing section of this report.

Please note that copies of this report will be sent to the Audit Scotland in accordance with their requirements.

We thank the management and staff of the Council for their co-operation and assistance during the course of our work.

Section 2: Significant audit and accounting matters

Our audit approach to the audit of the financial statements was set out in our Audit Plan presented to you in March 2015.

Our audit approach was risk based, informed by a sound understanding of the operations of the Council and an assessment of the risks associated with the financial statements. We have reviewed the risks set out in our Audit Plan and considered whether there is any change to our assessment of the risk of material misstatement. On the basis of this assessment, there have been no changes to our approach.

We have set out in this section the significant matters arising from our audit.

Matters identified in our audit plan

Set out below is a summary of our response to matters identified in our audit plan:

Risk	Categorisation	Results of work performed
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. 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.	Significant	We performed procedures to: • test the appropriateness of manual journal entries using Computer Assisted Auditing Techniques; • test the reasonableness of assumptions made by management in areas such as valuations of fixed assets, pensions and bad debt provisions; • review accounting estimates for bias and evaluate whether they represent a risk of material misstatement due to fraud; • review significant transactions outside of the course of business by performing detailed audit work over the equal pay accrual; • bring an element of 'unpredictability' to our work by 1) testing immaterial grants received from organisations other than the Scottish Government, and 2) gaining an understanding of controls in place over cash held at Council sites. **We did not identify any matters to report to you as a result of these procedures.**

Risk	Categorisation	Results of work performed
Risk of fraud in revenue (non-grant funding) recognition Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition.	Significant	We have considered this risk specific to sales, fees and charges. We have rebutted the risk of fraud in revenue recognition for financing and investment income, and for taxation and Scottish Government grant income. We performed procedures to: • obtain an understanding of key revenue controls; • evaluate and test the accounting policy for income recognition in relation to these income streams to ensure that it is consistent with the requirements of the Code; • test cut-off of sales, fees and charges, and • perform detailed testing of manual revenue journals. **We did not identify any matters to report to you as a result of these procedures.**
Risk of fraud in expenditure recognition For the purposes of the Council the risk of fraud in revenue recognition is more sensibly inverted to reflect the risk around misstatement of expenditure. There is a risk that the Council could adopt accounting policies or treat expenditure transactions in such a way as to lead to material misstatement in the reported expenditure position to ensure budgets are achieved.	Significant	We performed procedures to: • evaluate and test the accounting policy for expenditure recognition to ensure that this is consistent with the Council's accounting policies; • Perform detailed testing of expenditure journals; • Perform testing over cut-off and unrecorded liabilities; • Review accounting estimates for expenditure e.g. accruals and provisions to ensure that they are accounted for on an accurate basis and in the proper period; and • Perform detailed testing over expenditure transactions. **We did not identify any matters to report to you as a result of these procedures.**
Accounting treatment of Equal Pay claims The Council settled the majority of equal pay claims during 2013/14. However, we understand that a number of claims against the Council have arisen since.	Elevated	We performed the following procedures to ensure the accounting treatment is appropriate: • Held discussions with Senior Management to understand the current status of legal actions and judgements in relation to Equal Pay; • Tested a sample of settled claims to supporting evidence that the claim value was accepted • Obtained a legal confirmation from in-house Head of Administration and Legal Services confirming the status of current claims and the likelihood of future claims against the Council resulting in further liabilities **We have considered management's decision to recognise the total value of claims in the year as an accrual (not a provision or contingent liability) to be reasonable, based on a high level of certainty that the claims will be settled and over the value of the claims.**

Materiality

	£
Overall materiality – This is the amount we have applied in assessing the overall impact on the group financial statements of potential adjustments	10,235,030
Performance materiality - We have applied this to direct the amount of work performed over each financial statement line item – for example in calculating sample sizes	7,676,273
De-minimus posting level - Under ISA (UK & I) 450, we are required to report to those charged with governance on all unadjusted misstatements in excess of a 'de-minimus' or 'clearly trifling' amount	250,000

In our audit plan in March 2015 we communicated the materiality set for our audit planning purposes. Overall materiality was set at 1% of total expenditure for the year ended 31 March 2014 at £10,903,190; performance materiality was set at £8,177,393 and the de-minimus posting level at £250,000.

Overall materiality and performance materiality were updated before commencing our audit procedures to the levels set out above based on the draft financial statements for the year ended 31 March 2015.

Materiality was set to direct the overall audit strategy and to assess the impact of any adjustments identified. Overall materiality was set at 1% of total expenditure for the year ended 31 March 2015. Performance materiality was set at 75% of overall materiality.

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 have applied a de-minimus level of £250,000 which we have assessed as clearly trivial. This was agreed with the Risk and Audit Scrutiny Forum upon submission of our annual audit plan and the level has not changed from our audit plan.

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

- 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 and approval of the financial statements we expect to issue an unqualified audit opinion.

As part of our work on the financial statements we will also report on the Whole of Government Accounts Return submitted to the National Audit Office. This work will be submitted in accordance with the deadline of 30 September 2015.

Misstatements and significant audit adjustments

We report to you all misstatements that we have found during the course of our audit, other than those of a trivial nature, which have not been corrected by management in the financial statements. There are no misstatements to report.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the financial statements. We will ask Management 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 financial statements have been considered. From our review of accounting policies and our substantive testing we consider that the accounting policies are appropriate and have been complied with for the 2014/15 financial statements.

Pension assumptions

Employees of the Council participate in the Strathclyde Pension Fund which is a local authority defined benefit pension scheme. In order to ascertain the value of scheme assets and liabilities attributable to the Council, an actuarial valuation is conducted on an annual basis by independent firm of actuaries Hymans Robertson. In financial year 2014/15 the Council recognised a pension liability of £634.813 million (2013/14: £494.690 million).

The pension liability held by the Council is based on a number of assumptions made by the actuary. We have outlined the principal assumptions applied in arriving at this estimate along with PwC's expected ranges in the table below:

Table 1: Pension assumptions

Pension assumption	Actuary assumptions	PwC expected range
Pension increase rate	2.4% (0.8% below RPI inflation)	0.7% - 1.2% below RPI inflation
Salary increase rate	4.3%	The salary increase assumption has been set to be consistent with the most recent formal valuation. As at 31 March 2015, the long term pay growth assumption is RPI plus 1.0% p.a. An additional allowance has also been made for promotional salary increases. This is in line with our actuarial specialist's expectations.
Discount rate	3.2%	3.15% - 3.5%
Retail price index	3.2%	2.90% - 3.30%

We have also independently confirmed the valuation of the pension assets and the accuracy of the employee data held by the pension fund as part of our audit procedures.

Based on our work performed we have concluded that the assumptions applied are reasonable.

Charitable Funds audit

We are required as appointed auditors to provide an audit opinion on charitable Trusts registered with the Office of the Scottish Charities Regulator (OSCR) where the Council, or some members of the Council, act as sole Trustee. The Council currently acts as sole Trustee for 80 charitable trusts.

Regulation 7 of The Charities Accounts (Scotland) Regulations permits charities that have a common purpose or shared management to prepare a single set of 'connected charities' accounts. In line with this guidance, and with the approval of OSCR, management has prepared 3 sets of connected charities accounts.

Trust	Charitable expenditure (Grants and donations)	Income
South Lanarkshire Council Charitable Trusts	£30,171	£907,926
South Lanarkshire Council Educational Trusts	£3,986	£121,092
East Kilbride Information Technology Centre Trust	£0	£91

We noted that the charitable activity across all 80 charitable trust funds is low. The only income stream is from investments and the sale of investments. £26,742 was paid out from the Loudon Bequest to local authorities in the West of Scotland to assist in financing holidays for the elderly.

Points raised in the prior period

As reported in the prior year, it was noted that there is a lack of formalised trust deeds for the charities. Currently there are no formal processes in place for determining who is eligible to receive bequest payments. Without trust deeds and policies regarding bequest payments being available, there is a risk that expenditure does not meet the charitable objectives of the trust.

We recommended that, as sole trustee of the connected charities, South Lanarkshire Council should liaise with the Office of the Scottish Charity Regulator (OSCR) and the Scottish Government to ascertain whether there is any possibility of rationalising the number of charities and agreeing their overall purpose with a view to reducing the administrative burden.

We are aware that the Council is in discussions with OSCR and we will continue to monitor the progress made in this area.

Judgments and accounting estimates

The Council is required to prepare its financial statements in accordance with the CIPFA Code of Practice for Local Authority Accounting. 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:

Equal pay accrual

We have held discussions with management, obtained a legal confirmation and performed substantive testing over a sample of settled claims in order to obtain sufficient comfort over the accounting treatment of equal pay claims and the value that has been recognised as an accrual in 2014/15 (see page 7 for more details). We concluded from our work that the treatment of equal pay liabilities is appropriate.

Pension liability

We performed substantive procedures and consulted advice from PwC actuarial specialists to assess the key assumptions in the actuarial valuation of the Council's pension liabilities; we also obtained confirmation of the value of assets in the Strathclyde Pension Fund, and independently verified the valuation of a sample of assets in the fund. We concluded from our work that the assumptions applied in calculating the Council's pension liability are reasonable.

Property, plant and equipment valuation

We have performed substantive testing of a sample of revalued assets to evidence to support valuation assumptions and inputs. We have also engaged PwC specialist valuations team to review the reasonableness of management assumptions and the various valuation methods employed by the Council. We concluded from our work that the valuation methods are appropriate and resulting valuations are reasonable.

Contingent liabilities, including holiday pay

We have held discussions with relevant senior management at the Council and obtained a legal confirmation to support management's assessment of contingent liabilities. Specifically regarding holiday pay following EU case law, we conclude that management's decision to recognise a contingent liability in 2014/15 is appropriate, as neither the value, validity nor timing of any potential claims can be estimated with certainty.

Management representations

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

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 sought comfort over the completeness of related parties by agreeing interests included in the financial statements to the register of interest for each Council member and senior officer. We also performed a further internet search to identify any undisclosed interests. We found no issues with the completeness of related parties identified by management.

To obtain comfort over the value of transactions disclosed in Note 23 to the financial statements, we obtained the listing of all related party transactions prepared by Finance and tested a sample to the Oracle ledger to verify the total value of transactions with the identified organisations during the year. We also performed a further search in Oracle by supplier name to identify if there were any duplicate supplier accounts where there had been transactions with related parties recorded in the year.

As a result of our first round of testing we found errors where not all transactions in the ledger had been identified in preparing the related party disclosure. This was often as a result of duplicate supplier accounts existing with transactions recorded in the year but which had not been included when preparing the related party transactions listing.

These issues were raised with management and Finance undertook an exercise to re-prepare the related parties disclosure and investigate all differences found in the original listing of related party transactions.

We tested a further sample from the revised listing of related party transactions and found no issues with the completeness of this new listing of transactions, and conclude that the updated disclosure in Note 23 of the financial statements as reasonable.

We have raised a control point in relation to the issues noted in our work over related parties, see Section 5.

Annual Governance Statement

The CIPFA Code of Practice on Local Authority Accounting states the following in relation to Scottish Local Authorities and the preparation of an annual governance statement:

"Scottish local authorities, which are not required by legislation to conduct a review at least once in a year of the effectiveness of its system of internal control, shall consider doing so voluntarily and preparing an Annual Governance Statement. Authorities that do not voluntarily choose to do this shall include a statement on the system of internal financial control with their Statement of Accounts."

The Council conducts an annual governance review and has presented a Statement of governance and internal control in the Annual Accounts.

We reviewed the statement of governance and internal control to consider whether it is consistent with the requirements set out in the Code, 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.

Section 3. Financial standing

2014/15 Financial Performance

The Council achieved a surplus of £6.970 million on the provision of services in 2014/15, compared to a deficit of £87,792 million in 2013/14. This surplus reflects the impact of a number of technical accounting adjustments and a more informative indication of the Council's performance in the year is reflected in the movement in the General Fund.

The Council's financial performance for the General Fund and Housing Revenue Account for 2014/15 is summarised in the table below.

Table 2: Financial performance 2014/15

	2014/15 £000		2013/14 £000	
Net Cost of Services	634,574		714,406	
Other operating expenditure	217		(3,566)	
Financing and Investment Income and Expenditure	81,040		73,353	
Taxation and Non-Specific Grant Income	(722,801)		(696,401)	
(Surplus)/Deficit on Provision of Services	**(6,970)**		**87,792**	
	General Fund	**HRA**	**General Fund**	**HRA**
Surplus/(Deficit) on Provision of Services	26,611	(19,641)	(75,380)	(12,412)
Adjustments between accounting basis and funding basis under regulations.	(26,127)	24,160	15,077	11,179
Net Increase/(Decrease) before Transfers to Reserves	484	4,519	(60,303)	(1,233)
Transfers to/(from) Reserves	3,677	0	42,972	0
Increase/(Decrease) in Year	**4,161**	**4,519**	**(17,331)**	**(1,233)**
Opening Balance	13,387	6,055	30,718	7,288
Closing Balance	**17,548**	**10,574**	**13,387**	**6,055**

The General Fund balance, including both earmarked and non-earmarked reserves, has increased by £4.161 million in the year to £17.548 million as at 31 March 2015. The increase in the General Fund in 2014/15 reflects the Council's underspend in 2014/15 and the transfers made to earmarked reserves.

Performance against Budget

The Council's General Fund outturn report for 2014/15 showed an underspend of £1.658 million, to be transferred to Earmarked Reserves.

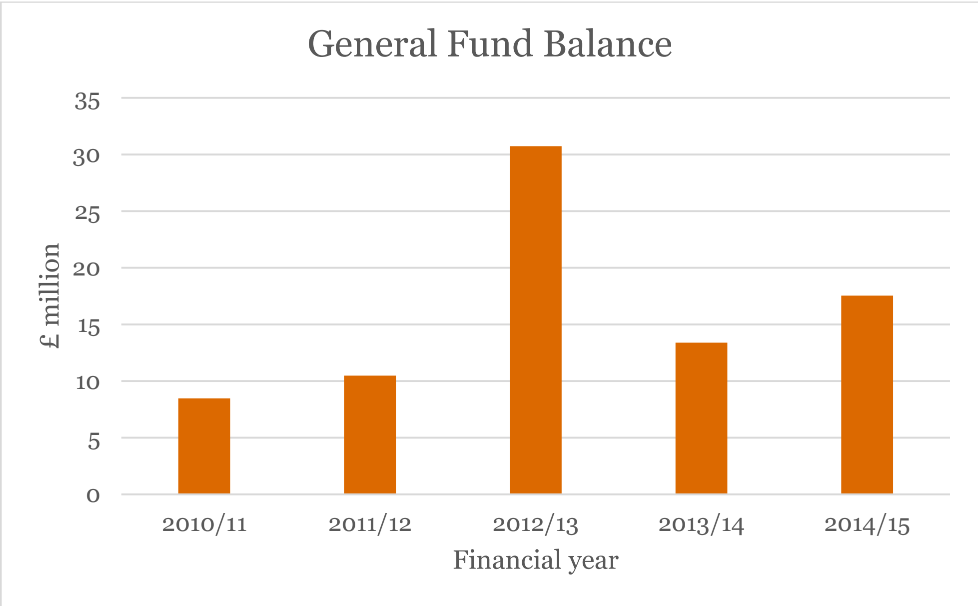
The Council prepared a balanced budget for 2014/15 budget which was approved in February 2014, with a net revenue budget of £672.400 million. This increased to an actual amount of £678.969 million due to additional grant income awarded in-year for specific purposes.

It should be noted that the operational budget and actual outturn are calculated on a Service basis which reflects the Council's management structure whereas the figures reported in the Comprehensive Income and Expenditure Statement are calculated based on that prescribed by the Service Reporting Code of Practice (SeRCoP) and therefore the two are not directly comparable.

Reserves

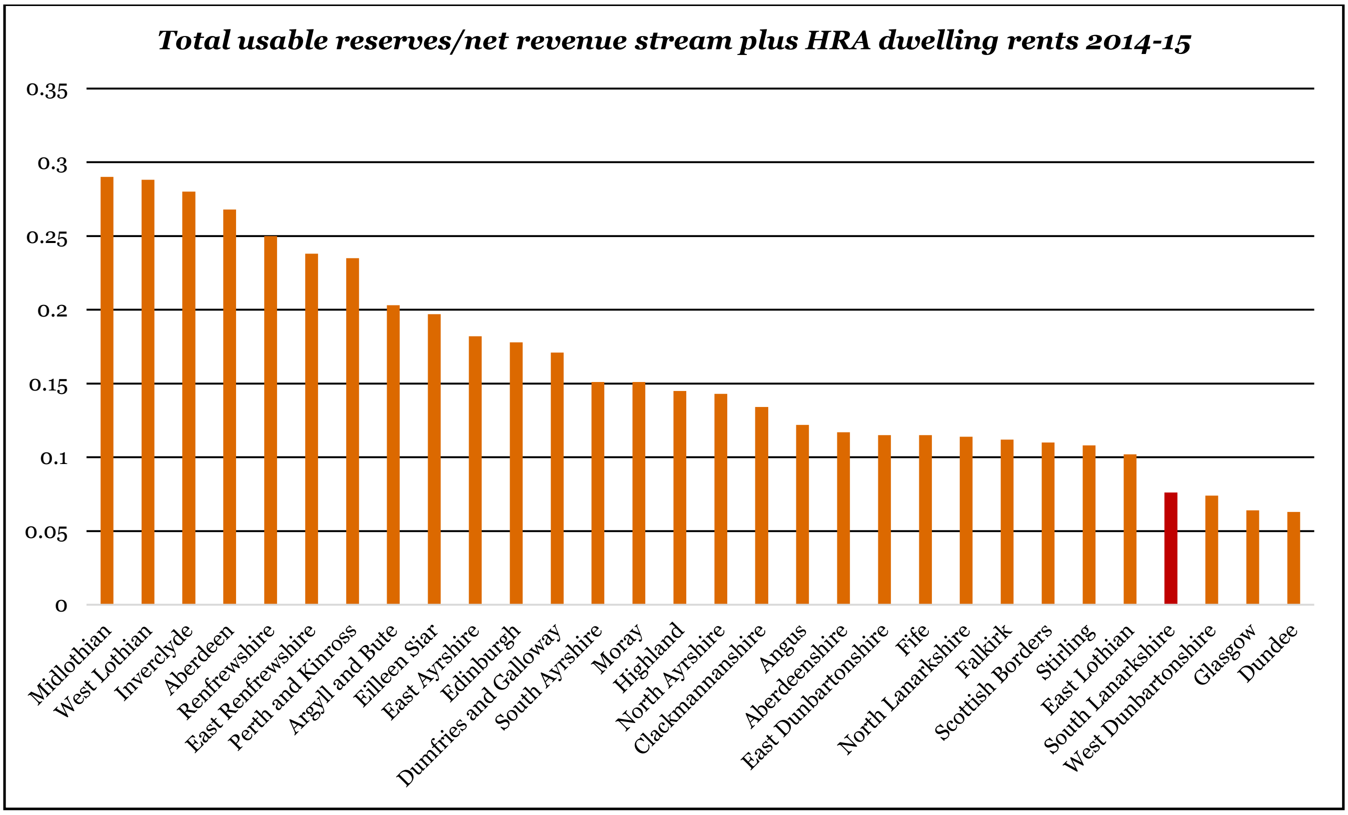
The Council's general fund balance has increased by £4.161 million in the current year. See table below showing movements in the general fund over the last five years.

Table 3: General fund balance 2010/11 – 2014/15



Overall the Council's level of general reserves relative to its size are low. This has been reviewed in the context of the Council's Reserve Strategy and is in line with the Council's expectations. See table below which outlines how South Lanarkshire Council compares to other Scottish local authorities in terms of total useable Reserves as a proportion of their net revenue stream.

Table 4: General fund balances relative to Council size (excluding Orkney and Shetland Islands Council due to their unique reserves position)



As part of the Financial Strategy approved by the Executive Committee, The Council has a reserves strategy which sets out how each reserve will be used going forward. The total balance of the general fund as at 31 March 2015 is £17.548 million. Of this balance, £5.963 million is earmarked for specific purposes including severance costs, teacher recruitment and Scottish Welfare Fund and Scheme of Assistance. The remaining value of uncommitted general fund is £11.585 million, and the Council aims to maintain this balance of uncommitted general fund going forward with potential increases of £0.500 million each year, depending on the level of future surpluses.

The Council's reserve strategy also covers each of its reserves which have been established with a specific purpose, including the Repairs and Renewals Fund, Insurance Fund, and the Capital Fund which contains further earmarked funds such as the IT Development Fund and the Education Capital Replacement Fund. From our review of the reserves strategy we are comfortable that the Council is holding each of these reserves for a specific purpose and has a strategy for how they will be utilised over the coming years.

Capital Expenditure

The Council has two distinct Capital Expenditure programmes in place: the General Services Programme, and the Housing Capital Programme.

General Services Programme

The General Services Programme had a final capital expenditure budget for 2014/15 of £109.492 million, against which £98.080 million of expenditure was incurred. The key projects funded from the General Services Programme include the Schools Modernisation Programme and Roads Investment Programme.

The School Modernisation Programme accounted for £8.895 million of the £11.412 million underspend against budget, due to a combination of changes in the timing of planned expenditure over the programme and savings of £1.2 million identified during 2014/15.

Table 5: 2014/15 sources of General Services Programme capital funding

Source	Funding £m
Prudential borrowing	56.763
Scottish Government capital grant	32.379
Partner organisations	3.776
Scottish Government specific grants	2.654
Specific reserves	0.972
Capital receipts	0.925
Planning gain	0.217
Heritage Lottery/ Sportscotland grant	0.189
Capital funded from current revenue	0.173
European Regional Development Fund	0.032
Total	**98.080**

The General Services Programme capital budget for 2015/16 is £102.771 million. This includes a budget of £69.647 million for the School Modernisation Programme, including the impact of adjustments to the programme in 2014/15, and £12.157 million for the Roads Investment Programme. The total General Services Programme budget for 2016/17 is currently set at £69.272 million.

Housing Capital Programme

The Housing Capital Programme had budgeted expenditure of £38.501 million, against which £37.060 million of expenditure was incurred. The underspend of £1.441 million was due to a revised profile of spend relating to the Heating Programme and New Build projects from budget.

Capital expenditure in year was funded through the following key sources:

Table 6: 2014/15 sources of Housing Capital Programme funding

Source	Funding £m
Prudential borrowing	15.367
Capital funded from current revenue	13.016
House sales	5.625
Specific grant	2.117
Land sales	0.738
Miscellaneous income	0.197
Total	**37.060**

The budgeted expenditure for 2015/16 for the Housing Capital Programme is £42.327 million, plus a total of £2.744 million carried forward against projects in the 2014/15 programme.

Efficiency savings

The Council is required to contribute annual savings towards the Scottish Government's Efficiency Targets. For 2014/15, the Council approved overall savings target of £13.309 million.

The Council reports information on achieved efficiencies to the Scottish Government by completing an Efficiency Statement. Only certain savings achieved can be classified and reported as efficiencies based on the Scottish Government criteria.

Of the £13,309 million of agreed savings for 2014/15, £3.217 million of the approved savings were not reported as efficiencies due to the criteria set by the Scottish Government. During the year, however, additional efficiency savings of £2.728 million were identified from review of procurement practices (£2.656 million) and efficiencies found from the Lanarkshire Valuation Joint Board (0.072 million). This resulted in actual efficiencies reported to the Scottish Government for 2014/15 of £12.820 million.

Table 6: Efficiencies 2014/15

Source	Efficiencies £ million	% of total reported efficiencies
Community & Enterprise Resources	1.351	10%
Education Resources	1.932	15%
Finance & Corporate Resources	0.904	7%
Housing & Technical Resources	0.748	6%
Social Work Resources	2.214	17%
Centre/Council Tax	2.943	23%
Procurement	2.656	21%
Lanarkshire Valuation Joint Board	0.072	1%
Total reported	**12.820**	**100%**

2015/16 Budget

The Council's revenue budget has been set at £677.235 million for 2015/16, of which £570.694 million (84%) is funded by Government grants and the remaining £106.541 million (16%) by council tax collection, after council tax reduction subsidy. The revenue budget assumes no increase in council tax rates and no improvement in the Council's collection yield.

Total savings of £20.262 million were included in the initial 2015/16 budget; the revised savings figure proposed, as at February 2015, is £17.606 million. The reduction in required savings is due to a combination of additional grant income of £0.333 million confirmed from the Scottish Government, changes to original proposed savings and adjustments to funding options for 2015/16 including an additional £0.500 million in council tax collection anticipated due to an increase in the number of properties in the area.

Budgeted expenditure for 2015/16 has taken into account, among others, the following key factors:

- proposed savings package of £17.606 million; and
- a staff pay award; and

See the section on Capital Expenditure on pages 14 to 15 for details of the Capital budget for 2015/16.

2016/17 Budget and beyond

In June 2015 the Executive Committee approved the Council's Financial Strategy for 2016/17 to 2018/19. The Council also has a longer term strategy covering 2019/2020 to 2025/2026, giving a high level prediction of issues likely to impact it into this period.

Key financial pressures over the coming years will include the increasing efficiency savings required to achieve a balanced financial position each year, and uncertainty around grant allocation for these years as the Scottish Government has not yet given settlements for grant funding beyond 2015/16.

When setting the 2016/17 strategy the following key items in particular have been taken into account and will result in the Council having to find increased savings in its 2016/17 budget:

- Removal in 2016/17 of the rebate currently received on National Insurance payments. Estimated cost to the Council in 2016/17 of £7.9 million;
- Increase in Teacher's pensions contributions from September 2015, which is currently unfunded by the Scottish Government. Estimated cost to the Council in 2016/17 of £2.7 million;
- An estimated reduction in the Council's grant from Scottish Government of circa. £11 million.

These key estimates will also be in the context of year on year pressures to find savings in order to balance the impact of inflation and to continue to meet pay awards in 2016/17 and beyond.

Key to the Council's plans to find the savings that will be required from 2016/17 onwards is a program of service reviews, of which some reviews have already been completed during 2014/15, in order to continuously identify opportunities for savings and efficiencies.

Health and social care integration

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed in April 2014 as part of the Scottish Government's agenda to drive improvement in the provision of health and social care services. The Act details the integration models available to Health Boards and Local Authorities in developing their integration strategy as well as required documentation and timescales for delivery of integration schemes.

The Executive Committee approved the decision to deliver integrated health and social care services through the South Lanarkshire Health and Social Care Partnership. The Council is working with NHS Lanarkshire to deliver integration. A shadow Integrated Joint Board has been established and has met regularly since early 2014, with the aim of integration becoming fully operational in April 2016.

The Council is currently developing the Integrated Joint Board's Strategy including the development of financial regulations and procedures for the new body. It is anticipated that the post of Chief Financial Officer the Integrated Joint Board will be created and hold the responsibility for the preparation of its financial statements. The Council is also developing plans for how the day to day accounting arrangements of the new body and preparing of financial statements will operate.

The Council fully expects to meet its target of full integration being operational by April 2016.

Financial standing

Based on our audit work performed, we have no issues to raise over the financial standing of the Council while recognising the financial pressures it is facing in the foreseeable future.

Section 4. Best value and performance

Performance management

The Council's plan 'Connect' provides the vision for the area, priorities for service delivery, objectives and values for 2012-2017. It is supported by Resource plans which are published by each department.

Performance management is embedded within the organisation and detailed actions and reports on key plans and strategies as well as regular updates on progress with Connect and the Resource Plans are reported to the relevant committees. These reports are available on the Council and Committee websites.

Councillors are able to use the detailed information in these reports to meet their responsibilities in terms of challenge and scrutiny. The Council also publishes annual performance indicators.

The Council has an electronic performance monitoring and reporting system (IMPROVe) which is used to track progress against the measures and targets set out in Connect, the Single Outcome Agreement and the plans published by each department every year. Reports drawn from IMPROVe are included in the quarterly updates to Committees.

Statutory performance indicators

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish in the following financial year. In 2014/15 the Commission has recognised the progress made by Councils in developing their performance data as set by the Local Government Benchmarking Framework (LGBF). Auditors are required to review the arrangements in place for collecting, recording and publishing performance data in accordance with the direction as set by the Accounts Commission.

We did not identify any issues in relation to the arrangements in place for gathering and reporting performance data.

Significant trading operations

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct each of their significant trading operations so that income is not less than expenditure over each three year period.

Overall the trading operations show a deficit over the three year period for 2012/13 to 2014/15 of £1.134 million. This is due to the deficit over the three years in Facilities Management of £23.751 million.

Facilities Management made a deficit in 2013/14 of £22.390 million and a deficit of £2.191 million in 2014/15 due to the impact of equal pay claims. Only £0.028 million of Facilities Management's income in 2014/15 related to external trading and this element of trading made a surplus in each of the three years. The cost of the equal pay settlement had no impact on external trading prices and was absorbed internally by the Council. Each of the other trading operations have made a surplus over the three years.

Auditors are required by the Code of Audit Practice to report an authority's failure to achieve prescribed financial targets, however in line with Audit Scotland's technical guidance for 2014/15 annual accounts the requirement for trading operations to achieve a surplus over the three years applies to external trading only. As the deficit relates fully to internal costs we confirm that this has no impact on our audit opinion for 2014/15 as the Council has met the requirement for trading operations.

Asset Management

The Executive Committee approved the latest Corporate Asset Management Plan (AMP) in September 2014. There are statutory performance indicators (SPIs) relating to asset management in place, covering condition and suitability of assets as well as specific indicators for road maintenance.

The AMP is sub-divided into service areas: Property; Housing; Roads Infrastructure; Fleet; and ICT. These service areas' asset management plans aim to help the Council achieve strategic objectives set out in the Connect plan, in particular in relation to its Housing strategy, as well as contribute towards efficiency and sustainability objectives.

The Council's 2014 review of asset management SPIs showed 86.5% of assets were in a satisfactory condition (an improvement from 86% in 2013), 94% of properties were suitable for service delivery (2013: 94%).

We are satisfied the Council has appropriate processes in place for reviewing and managing its assets, and for reporting performance against its AMP to the Executive Committee on at least an annual basis.

Exit packages

The Council has incurred a total of £2.588 million in 2014/15 from exit packages agreed in respect of agreed departures. The table below sets out the number and the cash value of packages agreed. The cash value excludes the cost of compensatory added year's pension payments to be made over future years, which for 2014/15 exit packages totals £1.036 million.

Table 7: Exit packages

Exit package cost band (including special payments)	Total number of exit packages by cost band		Total cash value of exit packages in each band	
	2014/15	2013/14	2014/15	2013/14
£0 – £20,000	14	10	91,498	93,241
£20,001 - £40,000	5	17	41,737	257,941
£40,001 - £60,000	5	5	119,979	85,879
£60,001 - £80,000	4	5	58,535	88,754
£80,001 - £100,000	4	1	53,357	11,943
£100,001 - £150,000	2	3	109,577	138,753
>£150,000	1	5	121,695	736,000
Total	**35**	**46**	**596,378**	**1,412,511**
Provisions (amounts agreed not paid)	8	29	955,373	480,197

We have performed sample testing over the exit packages in 2014/15 and can confirm that all packages were approved in accordance with the Council's policies and procedures.

The Scottish Government issued statutory guidance which provides local authorities with financial flexibility to assist with meeting the costs associated with equal pay and severance (Finance circular 4/2015 Equal pay and severance) which permits authorities, within specific guidelines, to:

- delay the financial impact of equal pay and severance until a cash payment is made
- use capital receipts to fund equal pay back pay settlements and severance payments.

The statutory guidance, which is not mandatory but gives authorities flexibility, applies from 1 April 2014 and will expire on 1 April 2018.

Borrowing and treasury management in Councils

In March 2015 Audit Scotland published their report "*Borrowing and Treasury Management in Councils*" which made recommendations in the following key areas of treasury management:

- Use of the treasury strategy by Officers to present a wider strategic view of borrowing and treasury management, and the preparation of longer term analysis in relation to treasury management;
- Sharing of strategies and joint planning with other Councils;
- Review of annual reports to ensure that a review of the effectiveness of the borrowing and treasury management activities is conducted;
- Review of governance arrangements in relation to borrowing and treasury management to ensure these are appropriate; and
- Consideration of the training arrangements to support Councillors to ensure that scrutiny arrangements are sufficiently robust.

An Investment Strategy is prepared annually and approved by the Finance and IT Committee, Executive Committee and Full Council.

The Council has in place a Treasury Management Policy Statement which we have reviewed for our audit procedures. The policy statement and supporting control processes are considered to be appropriate and in line with the CIPFA code of practice for Treasury Management in Local Authorities. The policy statement is reviewed by the Finance and Corporate Committee, and there is regular reporting of treasury management activity to this Committee.

We confirmed that all treasury staff have access to the appropriate policy and guidance documents, both internal and external, to support their responsibilities.

We consider the Council has appropriate governance and control arrangements in place relating to treasury management.

Scottish Government Guidance on Management Commentary

The Scottish Government has issued guidance on the preparation of a management commentary which the accounts regulations require to be included in the annual accounts from 2014/15. Finance circular 5/2015 '*The Local Authority Accounts (Scotland) Regulations 2014*' provides statutory guidance on the content of the management commentary within Local Authority accounts.

The statutory guidance interprets the content of the strategic report required by the Companies Act in a local authority context requiring commentary on areas including performance in the year, a description of the principal risks and uncertainties facing the authority and financial key performance indicators.

We have performed a detailed review of the management commentary against the guidance issued by the Scottish Government as referenced above. We found the management commentary gives a sufficiently comprehensive and accessible summary of financial performance and financial position for the year ended 31 March 2015. We consider the management commentary to be in line with the requirements of the guidance in its form and content, and we consider it to be consistent with the financial statements.

Section 5. Governance and internal control

Governance arrangements

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility the Council has put in place arrangements for the governance of its affairs, through its sub-committees. The committee structure remained unchanged during 2014/15.

The Council and its sub-committees are governed by its Standing Orders, a Scheme of Delegation, Financial Regulations and Committee Terms of Reference. These are supported by other policies and frameworks including the Council's Corporate Standards and Personnel Policies and Procedures.

We consider that the governance arrangements in place are appropriate.

Accounting systems and systems of internal control

Management is 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. Weaknesses or risks identified by auditors are only those which have come to our attention during the normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

General ledger transactions

In accordance with *ISA (UK&I) 240 (revised): The Auditor's responsibilities relating to fraud in an audit of financial statements* an auditor is required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

In 2014/15 we have performed detailed testing over journal entries within the Council ensuring we consider the complete population of manual journals and target our detailed testing on the items with the highest inherent risk. Our 2014/15 data auditing has been facilitated by 'Halo' – a next generation application that analyses and assures data using a suite of algorithms.

Control deficiencies

The significant matters that, in our professional judgement, we believe we should bring to your attention are set out in the table below.

Deficiency	Recommendation	Management's response
Process for identifying related party transactions: Through our testing we noted there are multiple supplier accounts for some suppliers, and that not all transactions had been included in the first draft of the related party transactions listing. Management have since updated the related parties note and we are comfortable with the transactions now listed. The number of supplier accounts could be streamlined, which would assist in preparing related parties information in future.	Finance to review the number of supplier accounts and delete unnecessary duplicate supplier accounts.	The Council is undertaking a process to cleanse our finance system to remove any unnecessary duplication of suppliers that have accumulated over a period of time. Responsible Individual: Head of Finance Timescale: March 2016
Fixed asset register not updated for changes in asset descriptions: Whilst we have no concerns over the valuations recorded in the fixed asset register, through our testing we noted one item where the asset use and description had changed and this had not been reflected in the fixed asset register.	The fixed asset register is regularly reviewed and changes are made as required when assets descriptions or uses have changed.	Regular updates to the fixed asset system are made to reflect changes to assets including values and descriptions. Management will remind all parties involved to ensure that changes to assets must be notified timeously. Responsible Individual: Head of Finance Timescale: November 2015

Based on our work performed we consider the systems of internal control to be appropriate.

Risk management

The Council has in place a Risk Management Strategy which is driven by the Council's objectives, supported by Resource plan objectives. Risks are assessed at both strategic and operational levels. A standardised risk register is used across the resources.

The strategy outlines roles and responsibilities, and the risk management principles adopted by the Council, and the role of Internal Audit in tailoring its annual work plan to focus on the key areas of risk. The Corporate Management Team is responsible for monitoring the application of the Risk Management Strategy across the Resources. The Corporate risk register is reviewed annually by the Council.

Internal Audit

The Council has an in-house Internal Audit function which carries out a full internal audit program each year. The Head of Internal Audit reports to the Risk and Audit Scrutiny Forum every eight weeks on progress against the audit plan and to report key findings and areas of good practice noted through their work.

For our 2014/15 audit, while we have not relied on any work performed by the Council's Internal Audit function we have reviewed the internal audit reports issued in the year to inform our risk assessment procedures and assessment of the Council's overall control environment. Internal Audit also assisted us in obtaining the transaction data required from the Oracle ledger system for our computer assisted audit techniques used for our testing of journals.

We would like to thank the Council staff in the Internal Audit team for their assistance in these matters. Based on audit work performed we consider the Internal Audit function to be appropriate for the needs of the Council.

Section 6. 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 those Charged with Governance

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.

Standards of conduct and prevention and detection of fraud and corruption

The Council has in place a code of conduct and a code of good governance, a fraud prevention strategy, and appropriate fraud response procedures. The Council's in-house internal audit co-ordinate investigation and report on matches from the National Fraud Initiative exercise.

The Council participates in the National Fraud Initiative (NFI). The 2014/15 exercise compared Council Tax records to the electoral roll to identify addresses where the single person's discount on council tax may be claimed fraudulently. This exercise returned 4,777 matches, 3,763 of which included a housing benefit element. Those matches which included a housing benefit element were investigated internally by further cross-referencing the Council's own data on these individual cases. Results from the Council's exercise and investigations were uploaded on to the national NFI system.

The Council also used an external organisation to perform a separate review of non-benefit cases in relation to Single Person Discount. This separate exercise has resulted in the cancellation of 1,949 single person discounts, saving the Council approximately £0.409 million as at 31 March 2015.

In accordance with our responsibilities as your appointed auditor, we have completed the NFI questionnaire for 2014/15 and noted the following key outcomes:

- 3,763 matches identified with a housing benefit element;
- From investigation of these matches, 37 errors with a total value of £22,948 were identified; and
- No fraud was identified as a result of the exercise.

Based on audit work performed we consider that the controls in place to prevent and detect fraud or corruption to be suitable for the operations of the Council.

Section 7. Independence

Independence and objectivity

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 engagement we have made enquiries of all PricewaterhouseCoopers' teams and there are no matters to report impacting our independence.

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 Council to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Appendix 1: Identified misstatements

There are no uncorrected misstatements to report.

We are also required to report to you any misstatements which have been corrected by management of which we believe those charged with governance should be aware to fulfil your responsibility as those charged with governance. We have not identified any misstatements of this nature.

Appendix 2: Letter of representation

[Entity letterhead]

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of South Lanarkshire Council (the "Authority") and the consolidated financial statements of the Authority and its subsidiaries (together the "group") for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements of the Authority and the consolidated financial statements of the group give a true and fair view, have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code). Subsequent references in this letter to "financial statements" refer to both the financial statements of the Authority and the consolidated financial statements of the group.

We confirm that the following representations are made on the basis of enquiries of management and staff of the Authority and the group with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy ourselves that we can properly make each of the following representations to you.

We confirm, for all directors at the time the directors' report is approved, to the best of our knowledge and belief, and having made the appropriate enquiries, the following representations:

Financial Statements

- We have fulfilled our responsibilities for the preparation of the financial statements in accordance with the IFRSs as adopted by the European Union and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).; in particular the financial statements give a true and fair view in accordance therewith.

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

- Significant assumptions used by us in making accounting estimates, including those surrounding measurement at fair value, are reasonable.

- All events subsequent to the date of the financial statements for which IFRSs as adopted by the European Union and Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code) require adjustment or disclosure have been adjusted or disclosed.

Information Provided

- Each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that you (the Authority's auditors) are aware of that information.

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

- So far as each director is aware, there is no relevant audit information of which you are unaware.

Fraud and non-compliance with laws and regulations

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

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and involves:

  – Management;
  – Employees who have significant roles in internal control; or
  – Others where the fraud could have a material effect on the financial statements.

- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Authority and group's financial statements communicated by employees, former employees, analysts, regulators or others.

- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related party transactions

We confirm that we have disclosed to you the identity of the Authority's related parties with which there have been transactions with during the financial year (see appendix). We confirm that there are no other transactions with related parties that are required to be disclosed.

The attached appendix to this letter also discloses all related parties as documented within the Authority's register of interests as well as additional parties disclosed separately by Council members and senior management. We are not aware of any other related parties that require to be disclosed within this.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

We confirm that we have identified to you all members of key management, as defined by IAS 24, and included their remuneration in the disclosures of key management compensation.

Employee Benefits

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

Retirement benefits

- All retirement benefits that the Authority and the group is committed to providing, including any arrangements that are statutory, contractual or implicit in the Authority's and the group'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 our knowledge of the business and in our view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities:

	Strathclyde Pension Fund
	31 March 2015
Financial assumptions:	
Discount rate	3.2%
Rate of increase in salaries	4.3%
Rate of increase in pensions	2.4%
Rate of Inflation	2.4%
Mortality assumptions:	
Longevity at 65 for current pensioners:	
Men	22.1
Women	23.6

Longevity at 65 for future pensioners:	
Men	24.8
Women	26.2
Long-term expected rates of return on:	
Equities	3.2%
Bonds	3.2%
Property	3.2%
Cash	3.2%

- The Authority participates in the Scottish Teachers Superannuation Scheme which is a defined benefit scheme. We confirm that the Authority's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Contractual arrangements/agreements

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

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and such matters have been appropriately accounted for and disclosed in accordance with IFRSs as adopted by the European Union.

Taxation

We have complied with the taxation requirements of all countries within which we operate 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. We are not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and we have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In managing the tax affairs of the Authority and the group, we have taken into account any special provisions such as transfer pricing, debt cap, tax avoidance disclosure and controlled foreign companies legislation as applied in different tax jurisdictions.

Using the work of experts

We agree with the findings of the Estates team, experts in determining the value of the Authority's social housing dwellings, other land and buildings, community assets and surplus assets 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 we are not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

- We have 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 our 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.
- We have no plans to abandon lines of product or other 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 and the group has satisfactory title to all assets and there are no liens or encumbrances on the Authority's and the group's assets, except for those that are disclosed in the financial statements.
- We confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. We confirm that we have used the appropriate assumptions with those reviews.
- Details of all financial instruments, including derivatives, 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. When appropriate, open positions in off-balance sheet financial instruments have also been properly disclosed in the financial statements.

....

Executive Director (Finance and Corporate Resources)

For and on behalf of ....

Date ....

Related parties and related party transactions appendix

[APPENDIX 1 TO BE INSERTED IN SIGNED COPY]

Appendix 2 - Additional Representations

Statement of Accounts

Regarding equal play claims an accounting estimate that was recognised in the Statement of Accounts:

- I confirm the Authority has used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Authority, where relevant to the accounting estimates and disclosures.
- Disclosures related to accounting estimates are complete and appropriate under the CIPFA/ CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the Statement of Accounts.

Items specific to Local Government

- The Authority does not have plans to enter into any further Private Finance Initiative schemes which might affect the Statement of Accounts for the year.
- 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 Single Status provisions on the General Fund balance
- I confirm that the Authority has determined a proper application of the statutory provisions for the deferral of the impact of impairment losses in relation to investments held in Icelandic Banks on the General Fund balance.
- I confirm that the Authority has determined a proper application of the statutory provisions for the treatment of leases that have changed status on transition to IFRS.
- 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.