

**Test Valley Borough  
Council**

**Audit results report**

Year ended 31 March 2019

July 2019



Building a better  
working world

18 July 2019



Dear Audit Panel and General Purposes Committee Members

We are pleased to attach our audit results report for the forthcoming meetings of the Audit Panel and General Purposes Committee. This report summarises our preliminary audit conclusion in relation to the audit of Test Valley Borough Council for 2018/19.

We have substantially completed our audit of Test Valley Borough Council for the year ended 31 March 2019.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 4 of this report, before the accounts publication deadline of 31 July 2019. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Panel and General Purposes Committee meetings on 25 July and 30 July 2019.

Yours faithfully

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





# 01 Executive Summary

## Executive Summary

### Scope update

In our audit planning report presented at the 11 March 2019 Audit Panel and the 17 April 2019 General Purposes Committee meetings, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

- ▶ **Change in materiality:** In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £1,491,000, with performance materiality, at 75% of overall materiality, of £1,118,000, and a threshold for reporting misstatements of £75,000. We updated our assessment using the unaudited Statement of Accounts, and amended the values to £1,368,000 materiality, £1,026,000 performance materiality, and £68,420 threshold for reporting misstatements that have an effect on the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund). The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services.

### Status of the audit

At the time of writing this report, the procedures outlined in our Audit Planning Report were ongoing. Subject to satisfactory completion of our procedures, we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 4. However until all work is complete, further amendments may arise. Outstanding items include:

- Receipt and review of estimated indexation movements from 1 April 2018 to 31 March 2019 on Land and Buildings not included in the annual cycle of valuations this year - to support completion of valuations testing;
- Reconciliation of Property, Plant and Equipment disclosures to the supporting subledgers;
- Pension Liability testing and review of revised IAS19 report from the actuary received on 15 July 2019. Testing of actuarial calculations, assumptions and subsequent amendments to financial accounting;
- Receipt and review of letters of assurance from the Monitoring Officer; those charged with governance; and the auditors of Hampshire Pension Fund;
- Receipt and review of IFRS9 and IFRS15 impacts assessments;
- Receipt and review of revised draft accounts, reflecting all accounting and disclosure adjustments to date and Authority-led updates made to the Annual Governance Statement;
- Completion of procedures required by the NAO to review and report on the Whole of Government Accounts return; and
- EY Manager and Associate Partner review of audit working papers.

# Executive Summary

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## Audit differences

As at the date of drafting this report:

- There were no unadjusted audit differences identified from our work.
- There are no unadjusted audit differences to bring to your attention.

## Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Test Valley Borough Council's financial statements. This report sets out our observations and conclusions. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.



# Executive Summary

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

An external assessment of the internal audit function was carried out in April 2019. This assessment highlighted areas of non-conformance with Public Sector Internal Audit Standards (PSIAS) in a number of significant areas: Assurance Mapping; Strategic Framework; Resources; Audit Universe; and Audit Plan. As a result, although the Authority's Head of Internal Audit was able to provide Substantial Assurance on the effectiveness of the control framework and governance processes at Test Valley Borough Council for 2018-19, this opinion notes that it is qualified as a result of the PSIAS assessment.

A 32-Point Action Plan has been prepared by Test Valley Borough Council to address the PSIAS findings. The Action Plan addresses seven areas requiring attention: Audit Manual; Reporting; Performance; Charter and Strategy; Universe and Plan; Quality Assurance; and Improvement Plan.

We note that while non-conformance was noted in significant areas by the PSIAS assessor, the positive impact the Internal Audit team has on the organisation and the value placed on it by the officers interviewed/consulted was also noted. In addition, three areas of good practice were noted in relation to Risk Management, Corporate Performance Management and individual Audit Assignment Reporting.

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report we identified the following significant risk: Proposed purchase of 60% leasehold interest in The Chantry Centre (Informed Decision Making).

From our review of the detailed proposals put to Cabinet and Full Council and the professional advice that supported them; the timeliness and openness of discussion before decision-making; and of the financing arrangement ultimately adopted, we were satisfied that there are no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



## Executive Summary

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### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

At the time of writing this report, procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission were still ongoing.

We have no other matters to report.

### Independence

Please refer to Section 09 for our update on Independence.





02

## Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### **Risk of fraud in revenue and expenditure recognition - Incorrect capitalisation of revenue expenditure**

##### **What is the risk?**

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

There is incentive for incorrectly classifying revenue expenditure as capital. Capitalising would remove the expenditure from the General Fund and Council Tax funding, and give opportunity for funding through capital grants, receipts or even borrowing.

There is material opportunity as the Council's capital programme for 2018/19 is significantly above our level of materiality.

##### **What judgements are we focused on?**

As part of our work we tested additions of £23,257,000 to Property, Plant and Equipment to confirm they met the criteria required for capitalisation. This included testing additions of £9,401,000 to Other Land and Buildings and of £11,312,000 to Assets under Construction. We also tested the judgements as to when Assets Under Construction (the new Andover Leisure Centre) came into use and could be reclassified as Other Land and Buildings and the judgements surrounding reclassifying the Chantry Centre Investment Property of £4,652,000 as an economic regeneration asset.

##### **What did we do?**

We :

- ▶ Reviewed and sample tested capital expenditure to ensure it met the relevant accounting requirements to be capitalised.
- ▶ Reviewed a sample of journals moving expenditure from revenue to capital codes.
- Confirmed that the new Andover leisure centre came into use at midnight on 31 March 2019.
- Confirmed that, upon acquisition of an additional 60% share of the leasehold interest in The Chantry Centre, the centre was designated by the Authority for inclusion within regeneration plans for Andover as a whole.

##### **What are our conclusions?**

From our testing we found no evidence of revenue expenditure being incorrectly capitalised. We also found no evidence of assets being incorrectly classified within Property, Plant and Equipment.





## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

##### What judgements are we focused on?

As part of our work we focused on the key judgemental areas of financial statements, such as accounting policies; unusual transactions; and the key accounting estimates.

##### What did we do?

- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud;
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including:
  - ▶ Reviewed estimates for any management bias,
  - ▶ Reviewed significant and unusual transactions that were outside the normal course of business;
  - ▶ Tested journal entries and other adjustments in the preparation of the financial statements.

##### What are our conclusions?

Our audit work found no evidence that management had attempted to override internal controls. This conclusion is based on detailed testing of accounts entries susceptible to potential manipulation.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.





## Other Areas of Audit Focus

### Valuation of land and buildings

#### **What was the risk?**

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts. At 31 March 2018, they totalled £67,057,000 and £106,836,000. Movements during 2017/18 included valuation changes, impairment reviews and depreciation charges.

Management is required to use material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. During last year's audit EY real estate specialists challenged methodologies around buildings costs data, treatment of professional fees, asset life and land value assumptions, and treatment of voids and purchaser costs. Although the overall net impact on valuations was not material (£10,889), there were higher value differences behind the net impact (£289,318 gain off-set by an increase in impairment costs of £300,207).

The valuation date for 2018/19 will be 31 January 2019 and most assets will be valued by the Council's internal valuations team, as in 2017/18. The Council has noted a "caveat" for Brexit. We note that the roll forward of valuations to year end will be particularly important this year as the UK leaves the European Union which may increase volatility.

#### **What did we do?**

- ▶ Considered the work performed by the Council's valuers, including any changes in their approach since last year's audit; the adequacy of the scope of the work performed; their professional capabilities; and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We will also consider if there are any specific changes to assets that have occurred and whether these are reflected in valuations;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation;
- ▶ Reviewed the effectiveness of arrangements for rolling forward valuations to the year end; and
- ▶ Tested accounting entries have been correctly processed in the financial statements;

We have no findings to bring to your attention from this work.

#### **At the time of drafting our report the following procedures were ongoing:**

- Reviewing assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;

We will provide an update to the Panel and Committee if there are any significant findings arising from this work.



## Other Areas of Audit Focus

### Pension Liability Valuation

#### **What was the risk?**

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 the net liability totalled £58,520,000.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

We note that in 2017-18 we identified an unadjusted difference relating to the Council's share of the difference between the actuary's estimate of the Pension Fund asset value and the actual Fund value at 31 March 2018. We estimated this to be £512,629.

#### **What did we do?**

- ▶ Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Test Valley Borough Council;
- ▶ Assessed the work of the Pension Fund actuary (Aon Hewitt) including the assumptions they have used;
- ▶ Reconciled IAS19 data provided by the actuary to the financial statements;
- ▶ Reviewed and tested the accounting entries and disclosures made within Test Valley Borough Council's financial statements in relation to IAS19.

We have no findings to bring to your attention from this work.

The net Pension Liability was valued at £51,540,000 by Aon in their IAS19 Accounting Summary to Test Valley Borough Council.

However, a national issue has resulted in a relatively late change to the District Council accounts and IAS19 disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The unaudited Statement of Accounts recognised this matter as a contingent liability. However, since the year-end there has been additional evidence, including the ruling by the Supreme Court on 27th June 2019 which denied the Government's leave to appeal, which suggested that the amounts should in fact be treated as a constructive obligation and so included in the IAS19 liability disclosed within the financial statements. On 15 July 2019, a revised actuarial report was issued by Aon restating this to £53,160,000

The increase in the overall value of the defined benefit liability will be reflected in a revised version of the accounts, and work to ensure the correct adjustment is ongoing as at the date of drafting this report.





## Other Areas of Audit Focus

### New Accounting Standards

#### **What was the risk?**

##### **IFRS 9 financial instruments**

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9.

##### **IFRS 15 Revenue from contracts with customers**

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

#### **What did we do?**

At the time of writing this report, impact assessment papers for both new IFRS were still awaited. The authority's implementation arrangements will be considered after these have been received. Neither standard is expected to have a material impact on the Authority's accounts.

However, we are able observe that:

- From our overall review of the unaudited Statement of Accounts and work on the disclosure checklist that the presentation and disclosure of Financial Instruments appears to be materially consistent with our understanding of the Council's assets and liabilities, and meets the new requirements under IFRS9; and
- Our testing on income and contracts of the Council has not identified any material impact of IFRS15.



## 03 Audit Report



# Audit Report

## Our opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEST VALLEY BOROUGH COUNCIL

#### Opinion

We have audited the financial statements of Test Valley Borough Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- The related notes 1 to 38 and the Expenditure & Funding Analysis , and
- Collection Fund and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Test Valley Borough Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The other information comprises the information included in the Statement of Accounts 2018/19, other than the financial statements and our auditor's report thereon. The Head of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.



# Audit Report

## Our opinion on the financial statements

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Test Valley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



# Audit Report

## Our opinion on the financial statements

### Responsibility of the Head of Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts 2018/19 set out on page 11, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.





# Audit Report

## Our opinion on the financial statements

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether the Test Valley Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Test Valley Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Test Valley Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we

considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Certificate

We certify that we have completed the audit of the accounts of Test Valley Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Test Valley Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



# 04 Audit Differences





## Audit Differences

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

### Summary of adjusted differences

We have no misstatements greater than £68,420 which have been corrected by management that were identified during the course of our audit:

There were no uncorrected misstatements.



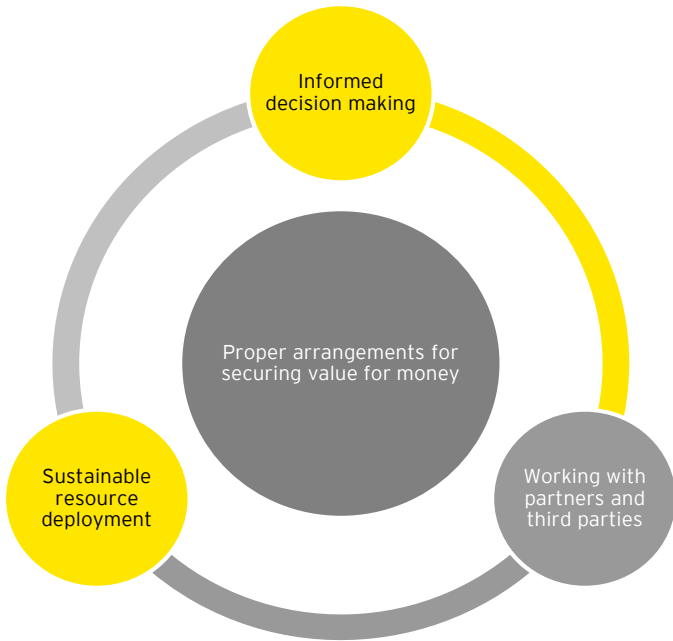


**05**

## **Value for Money Risks**



# Value for Money



## Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

## Overall conclusion

We identified one significant risks around these arrangements (Purchase of 60% Leasehold Interest in The Chantry Centre). The table below presents our findings in response to the risk in our Audit Planning Report.

From completion of our procedures in the table below, we have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.





# Value for Money

## **What was the significant value for money risk?**

The Council is considering a proposal to purchase for £7,200,000 that part of the Chantry Centre (60%) which it does not own. A detailed paper is expected to be put before Full Council in March 2019 (subject to full information having been received from the vendor).

The s151 officer has previously reported that he did not recommend the purchase of the Centre as an investment opportunity. However, our understanding is that social benefits (the chance to promote town centre regeneration) have also been put forward as considerations. A formal Regeneration Plan had not yet been produced at the time of writing this plan but we understand that due diligence is on-going.

## **What arrangements does the risk affect?**

Informed Decision Making

## **What did we find?**

The Council spent some £140,000 on a series of due diligence advice pieces from legal advisors; financial and tax advisors; and real estate specialists. The Council in turn commissioned a technical review of valuations received. We reviewed the advice received.

A full report was presented to Cabinet and Full Council on 13<sup>th</sup> March 2019, summarising the professional advice received; the risks and rewards of purchasing the 60% leasehold interest; and the advantages and disadvantages of a series of financing options.

*The report noted that, given wider economic factors, "some significant risks related to this purchase which has the capacity to damage the Council's financial standing in the longer term. However, it is the recommendation of the Leader of the Council and the Finance Portfolio Holder that, despite the disadvantages and financial risks of Option D, it is the only option that will guarantee that the Council has the opportunity to achieve its objectives of supporting the economic growth and regeneration of Andover town centre. It is therefore for Members to decide, having weighed up all of the information presented to them, whether the risks are worth taking".*

The leasehold interest was purchased in March 2019 and capitalised as Other Land and Buildings within Property, Plant and Equipment. To protect the Council's exposure to the risks of taking out high value loans, a decision was taken to fund the purchase from the sale of The Columbus Quarter on 19<sup>th</sup> June 2019 and from drawdown of funds from The New Homes Bonus Reserve.

From our review of the detailed proposals put to Cabinet and Full Council and the professional advice that supported them; the timeliness and openness of discussion before decision-making; and of the financing arrangement ultimately adopted, we were satisfied that appropriate arrangements had been made to secure economy, efficiency and effectiveness in your use of resources.



## 06 Other reporting issues

# Other reporting issues

### **Consistency of other information published with the financial statements, including the Annual Governance Statement**

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### **Whole of Government Accounts**

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We are currently concluding our work in this area, but expect to have no matters to report as the Council is below the threshold established by the National Audit Office to detailed audit procedures.

## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]'s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

At the time of writing this report, there are no matters to note.





07

## Assessment of Control Environment





# Assessment of Control Environment

## Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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

An external assessment of the internal audit function was carried out in April 2019. This assessment highlighted areas of non-conformance with Public Sector Internal Audit Standards (PSIAS) in a number of significant areas: Assurance Mapping; Strategic Framework; Resources; Audit Universe; and Audit Plan. As a result, although the Authority's Head of Internal Audit was able to provide Substantial Assurance on the effectiveness of the control framework and governance processes at Test Valley Borough Council for 2018-19, this opinion notes that it is qualified as a result of the PSIAS assessment.

A 32-Point Action Plan has been prepared by Test Valley Borough Council to address the PSIAS findings. The Action Plan addresses seven areas requiring attention: Audit Manual; Reporting; Performance; Charter and Strategy; Universe and Plan; Quality Assurance; and Improvement Plan. We note that the audit plan for 2019/20 had already been created based on the existing audit universe which, following the assessment has been declared as inadequate. Therefore it is not expected to be possible in the 2019/20 Audit Opinion to confirm that the Authority produced an audit plan which encompassed the key risks facing the council. However, by way of mitigation to this, the key fundamental system audits (Council Tax, Payroll, Creditors and Debtors) will be conducted under the proposed new Risk based Auditing model.

For 2019-20, we note that while non-conformance was noted in significant areas by the PSIAS assessor, the positive impact the Internal Audit team has on the organisation and the value placed on it by the Officers interviewed/consulted was also noted. In addition, three areas of good practice were noted in relation to Risk Management, Corporate Performance Management and individual Audit Assignment Reporting.





# 08 Data Analytics





# Use of Data Analytics in the Audit

## Analytics Driven Audit

### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all of the Council's financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

#### Payroll Analysis


We also use our general ledger analyser in our payroll testing. We analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.



09

Independence

## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report issued on 26 February 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit Panel and General Purposes Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meetings of the Audit Panel and General Purposes Committee on 25<sup>th</sup> and 30<sup>th</sup> July.

We confirm we have undertaken no non-audit work outside the NAO Code requirements.



# Independence

## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

Page 35 of this report includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

# Independence

## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements other than HB certification. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

	Fin18al Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
<b>Total Audit Fee - Code work</b>	<b>40,679</b>	<b>40,679</b>	<b>40,679</b>	<b>52,830</b>
Non-audit work (HB certification)	0	0	0	10,980
<b>Total non-audit services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,980</b>







# 10 Appendices





## Appendix C

# Required communications with Those Charged with Governance

There are certain communications that we must provide to the Those Charged with Governance of UK clients. We have detailed these here together with a reference of when and where they were covered:

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by Those Charged with Governance of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report

## Appendix C





		 Our Reporting to you
<b>Required communications</b>	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about Test Valley Borough Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit results report
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	No subsequent events have been identified that would impact either individually or together on Test Valley Borough Council's financial statements as at 31 March 2019
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit Panel and General Purposes Committee responsibility.</li> </ul>	Audit results report. No issues to report.






# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Authority</li> </ul>	<p>Audit results report.</p> <p>No matters to report.</p>
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report and Audit results report</p>

# Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management’s refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Audit Panel and General Purposes Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Panel and General Purposes Committee may be aware of.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report. Notes that an action plan needs to be implemented to address gaps in required internal audit standards. No other significant deficiencies were identified.

## Appendix C

		 Our Reporting to you
<b>Required communications</b>	 What is reported?	 When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report. No issues to report.
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Planning Report Audit Results Report

# Management representation letter

## Management Representation Letter

[To be prepared on the entity's letterhead]  
[Date]

Kevin Suter  
Ernst & Young  
Wessex House  
Threefield Lane  
Southampton  
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Test Valley Borough Council ("the Council") for the year ended 31 March 2019. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Test Valley Borough Council as of 31 March 2019 and of its income and expenditure for the year then ended in accordance with *the* CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor

necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.



# Management representation letter

## Management Representation Letter

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### **B. Non-compliance with law and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and committees held through the year to the most recent meeting on the following date: 30 July 2019

# Management representation letter

## Management Representation Letter

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

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

6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 36 to the financial statements all guarantees that we have given to third parties.

### E. Subsequent Events

1. Other than those described in Notes 37 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### G. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property, in the calculation of the NDR appeals provision and in generating the IAS19 pension disclosures, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

# Management representation letter

## Management Representation Letter

### H. Estimates

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.
2. We confirm that the significant assumptions used in making the NDR appeals provision, valuation of assets and IAS19 disclosure estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

### I. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

### Signed on behalf of Test Valley Borough Council

Yours faithfully,

\_\_\_\_\_  
Will Fullbrook  
(Head of Finance and Section 151 Officer)  
Date

I confirm that this letter has been discussed and agreed at the General Purposes Committee on 30 July 2019.

\_\_\_\_\_  
Councillor K. Hamilton  
(Chair of the General Purposes Committee)  
Date

## EY | Assurance | Tax | Transactions | Advisory

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ED None

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