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Staffordshire County Council

Report to those charged with governance

Report to the Audit and Standards Committee of the authority on the audit for the year ended 31 March 2015 *(ISA (UK&I)) 260)*

Government and Public Sector

September 2015

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

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

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Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2015; we have reviewed the plan and concluded that it remains appropriate with one revision made to include valuations as a significant risk due to property, plant and equipment (PPE) representing the largest balance in the Council's Balance Sheet. Details of our Audit Approach are included in the following section of this report.

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

Audit Summary

We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts following approval of the Statement of Accounts by the Audit and Standards Committee on the 14 September 2015.

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

- completion of our internal review and quality control procedures including our final review of the Council's amended financial statements and post audit adjustments;
- completion procedures including subsequent events review;
- approval of the Statement of Accounts, Annual Governance Statement and letter of representation by the Audit and Standards Committee; and
- receipt of the final signed Statement of Accounts, Annual Governance Statement and the management representation letter

There are key judgments which require the Audit and Standards Committee attention – further details are set out commencing on pages 8 to 16.

The following additional reports have been issued to those charged with governance in 2014/15:

- External Audit Plan 2014/15 – March 2015

We have issued the following report to the Director of Finance and Resources during 2014/15:

- Economy, Efficiency and Effectiveness Report – September 2015.

Please note that this report will be sent to Public Sector Audit Appointments Limited in accordance with the Audit Commission transition requirements.

This is the final year of the Audit Commission framework contract and therefore our final year as your external auditor. We remain committed to providing you with a high quality service and will work with your incoming auditors to ensure a smooth transition. We will be providing Ernst and Young with audit documents and allowing access to our 2014/15 audit files to enable a smooth transfer following completion of the audit.

We look forward to discussing our report with you on 14 September 2015. Attending the meeting from PwC will be Richard Bacon and Natalie Shaw.

We thank the Finance Team and others for their support and assistance during the course of our work.

The scorecard below summarises our view of your accounts and audit performance:

Key
● **Red** – significant improvements required
● **Amber** – some minor improvements required
● Green – no / minimal improvements required

Area	Rating	Comments
Draft accounts	● Green	Your draft accounts (including pension fund) were submitted to us ahead of the June deadline and were of a good quality. As we would expect in any audit, we identified a small number of disclosure issues which the Council agreed to amend within the financial statements; none of these disclosure issues were significant.
Readiness for start of audit and working papers	● Green	Samples were able to be selected in advance of the audit and working papers were ready for us at the start of the audit which were provided electronically. This helped the efficiency and smooth running of the audit, and allowed us to make a prompt and efficient start to our work on the first day we arrived on site. Supporting working papers were of a consistently good standard.
Availability and responsiveness of staff	● Green	The finance team and key members of staff were easily accessible to us during the audit and responded promptly to our audit questions and requests for information. In light of the other pressures on the finance team, the Council's accounting performance is to be commended.

Area	Rating	Comments
Significant audit and accounting issues	Green	We identified some audit and accounting issues during the audit which are explained later in this report. We are satisfied that these are appropriately reflected and disclosed in the financial statements and will be giving an unqualified opinion on the 2014/15 financial statements.
Deficiencies in internal control systems	Green	We have not identified any significant or material deficiencies in internal control.
Annual Governance Statement	Green	The Annual Governance Statement was submitted before the draft accounts. We have confirmed that the Annual Governance Statement has been prepared in accordance with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework.
Value for Money	Green	We anticipate issuing an unqualified Value for Money conclusion. We report in more detail a summary of our work and the findings that we wish to bring to your attention and that support our overall conclusion later in this report.

Audit approach

Our audit approach was set in our audit plan which we presented to you in March 2015.

We have summarised below the significant risks we identified in our audit plan relating to the audit of the Council's financial statements, the audit approach we took to address each risk and the outcome of our work. We will report separately to the Pension Fund Management Board in October 2015 the work which we have undertaken on the risks identified in our audit plan relating to the Staffordshire Pension Fund.

Since we communicated our audit plan and prior to starting our final audit, we have amended our audit approach to include valuations as a significant risk. This is due to property, plant and equipment (PPE) representing the largest balance in the Council's Balance Sheet with properties measured at fair value which involves a range of assumptions and the use of valuation expertise which increases the complexity of the valuation with material annual movements in the valuation of such properties.

Risk	Audit approach and results of work performed
Management override of controls (Significant Risk) 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 in order to manipulate the financial statements. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.	We understood and evaluated your internal control processes and reviewed the work of Internal Audit to consider the issues they raised and the level of assurance that they provided regarding management's ability to override controls. We performed the following procedures: • reviewed the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • sample tested the appropriateness of journals entries on a risk basis; • reviewed accounting estimates for bias and evaluated whether circumstances producing any bias represent a risk of material misstatement due to fraud; • evaluated the business rationale underlying significant transactions; • independently confirmed the Council's bank account and tested the bank and other reconciliations; and • included an element of 'unpredictability' in our testing. **We did not identify any issues to report.**
Risk of fraud in revenue and expenditure recognition (Significant Risk) Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition. We extend this presumption to the recognition of expenditure in local government. There is a risk that the Council could adopt accounting policies or treat income and expenditure transactions in such as way as to lead to material misstatement in the reported revenue position.	We understood and evaluated your internal control processes surrounding income and expenditure, and reviewed the work of Internal Audit to consider the issues they raised. We evaluated and tested the accounting policies for income and expenditure recognition to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting. We performed detailed testing of a sample of revenue and expenditure transactions, including deferred revenue, accruals, provisions and capital grants received in advance. Our work focussed on the areas of greatest audit risk including procedures in relation to the appropriateness of journals and other adjustments; and income and expenditure 'cut-off'. We reviewed significant accounting estimates and judgements for indicators of management bias. **We did not identify any issues to report.**

Risk	Audit approach and results of work performed
Estates – impairments and valuations (Significant Risk) Property, plant and equipment (PPE) represents the largest balance in the Council's Balance Sheet. The Council measures its properties at fair value which involves a range of assumptions and the use of valuation expertise. ISAs (UK&I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates. Specific areas of audit risk regarding the valuation of land and buildings include: • the accuracy and completeness of detailed information on assets; • where the Council's underlying the classification of properties are appropriate; and • the valuer's methodology, assumptions and underlying data, and our access to these.	We confirmed that the approach taken to valuations was compliant with accounting standards and the requirements of the Code of Practice on Local Authority Accounting. We have considered and validated a sample of the valuations undertaken and the input data on which the valuation is based. This included physical verification of the sample selected. We have reviewed the assumptions and the estimates used in the valuation performed by the valuer including the industry standard indices used, and considered the reasonableness of these through consultation with our own internal valuation specialists. We have checked to ensure that the valuation information has been correctly input into the Fixed Asset Register and recorded appropriately in the Council's accounts. We have reviewed the Council's consideration of the period from the date of the valuation to the reporting period end date including the Council's impairment assessment and the potential for changes in fair value of the remaining estate not subject to a formal revaluation in the year. **We did not identify any issues to report.**

We also as part of our planning identified one elevated risk in respect of the accounting for schools non-current assets. Further details of the work we performed in relation to this are included in the Accounting Issues section of this report on page 9 and 10.

Intelligent scoping

In our audit plan presented to you in March 2015 we reported our planned overall materiality which we used in planning the overall audit strategy. Our materiality thresholds were updated on receipt of the draft 2014/15 financial statements.

Our revised materiality levels are as follows:

	Council Revised £m	Council Original £m	Pension Fund Revised £m	Pension Fund Original £m
Overall materiality	14.089	13.850	14.089	32.934
Clearly trivial reporting de minimis	0.704	0.690	0.704	1.647

Overall materiality has been set at 1% of actual expenditure for the year ended 31 March 2015.

Overall materiality for the pension fund audit was initially set at 1% of net assets for the year ended 31 March 2014, This has been adjusted to the lower materiality used for the County Council in order to ensure that the consolidated financial statements are not materially misstated.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial" i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We agreed the de minimis threshold with the Audit Committee at its meeting in March 2015.

Significant audit and accounting matters

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

Accounts

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

- completion of our internal review and quality control procedures including our final review of the Council's amended financial statements and post audit adjustments;
- completion procedures including subsequent events review;
- approval of the Statement of Accounts, Annual Governance Statement and letter of representation by the Audit and Standards Committee; and
- receipt of the final signed Statement of Accounts, Annual Governance Statement and the management representation letter.

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

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

Accounting issues

Single Lump Sum Payment Pension Contributions

Following receipt of a letter from the Council's Actuary Hymans Robertson in June 2014, the Council paid the total required deficit contributions for the triennial period 1 April 2014 to 31 March 2017 as a single lump sum payment in 2014/15, rather than paying the deficit contributions annually which were disclosed within the Rates and Adjustment Certificate. The purpose of this was to realise a saving of £1.468 million over the 3 financial years as follows:

	Initial Rates and Contributions Certificate (£000)	Lump Sum Payment Contributions (£000)
2014/15	4,931	4,821
2015/16	6,720	6,282
2016/17	8,654	7,734
Total	**20,305**	**18,837**

The Council in the draft financial statements treated the lump sum payment of £18.837 million as follows:

Dr Expenditure £4.821 million

Dr Prepayment £14.016 million

Cr Cash £18.837 millionwith the intention of releasing the prepayment expense to the General Fund in line with the contributions set out in the revised letter received from the Actuary. This was on the basis that the amounts included in the Actuary's letter supersede those which were set out in the Rates and Adjustments Certificate.

This treatment essentially double-counted the benefit the Council gets from increasing its share of the pension scheme funds – an increased pension scheme asset *and* a prepayment for the remaining two years.

Following the audit, it was proposed by the Council to use the Pensions Reserve to smooth out the payments over the remaining two years rather than accounting for it as a prepayment as follows:

Dr Pensions Reserve £14.016 million

Cr Prepayment £14.016 million

We agreed with the Council's revised accounting treatment and adjustment to use account for the payment through reserves rather, which has been included as an adjusted misstatement in Appendix 1. The misstatement identified did not impact on the draft reported General Fund outturn or on the cash position of the Council.

Accounting for schools non-current assets

In December 2014, CIPFA issued LAAP Bulletin 101 *"Accounting for non-current assets used by local authority maintained schools,"* which provided additional guidance on the practical application of the asset recognition tests for property used by schools.

The Council reviewed the existing treatment::

- Community Schools to remain on balance sheet due to ownership and control with the Council;
- Voluntary Aided Schools to come on balance sheet if the Council has ownership, but off balance if diocesan ownership;
- Voluntary Controlled Schools to remain on balance sheet if the Council has ownership, but off balance if diocesan ownership;
- Foundation Schools to be brought on balance sheet as ownership with school governing body; and
- Foundation Trust Schools to remain off balance sheet as ownership with separate trustees.

We reviewed the Council's assessment and confirmed that the Council's accounting treatment was consistent with the Code of Practice on Local Authority Accounting.

The main impact related to Foundation Schools, as a previous exercise was carried out in 2012/13 so that all Voluntary Aided and Voluntary Controlled schools under diocesan ownership had been removed from the balance sheet, other than those where the Council had ownership. As part of the exercise, the Finance Team utilised the Legal and Property Team for the identification of assets impacted by the change in guidance.

These adjustments were recognised as additions (£20.0m) and disposals (£27.1m) in the draft financial statements, although since these are adjustments and not actual additions or disposals we suggested a single adjustment line in the note to the accounts. Testing was performed on the additions and disposals to validate the ownership of the assets as being the Governing Body (Council) or Trust. Our testing identified one addition (Hollingsclough Primary School) which had been incorrectly brought on balance sheet, but the value of this was below our reporting threshold and so no adjustment was proposed.

The draft financial statements of the Council accounted for the additions and disposals as an in year transaction during 2014/15 due to the net impact of the adjustments being immaterial. The guidance issued by CIPFA states:

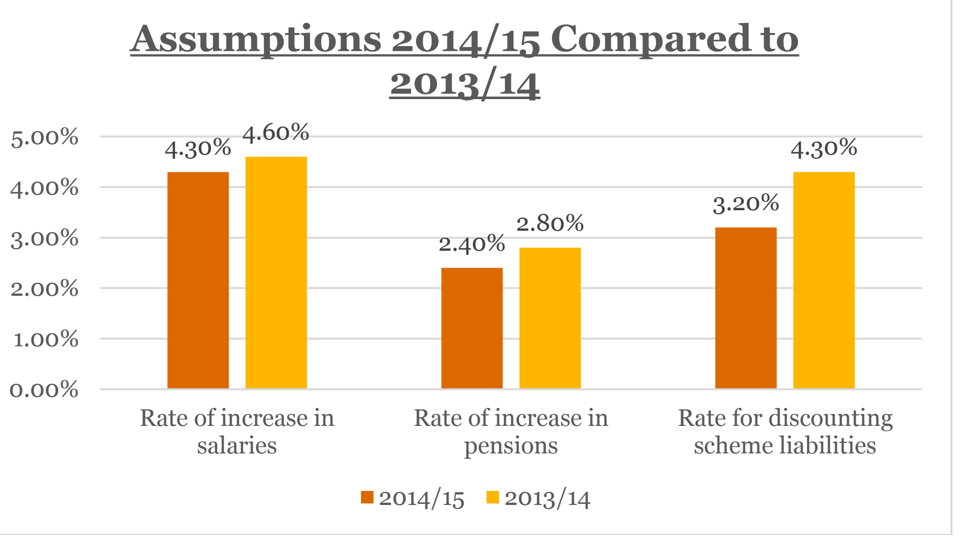
> *"The recognition of the non-current assets will be deemed to be a change in accounting policy if non-current assets are not recognised currently in the local authority balance sheets. Alternatively, it might require assets to be derecognised."*

We proposed the financial statements be adjusted for this, to be accounted for as a prior period adjustment. The Council were of the view that as the overall impact was a £7.0 million adjustment to the value of Property, Plant and Equipment in the Balance Sheet, and the impact to depreciation would be immaterial, that no prior period adjustment was required. The Council amended the existing disclosures in the financial statements to explain the change in accounting policy and to make the impact of the change in schools accounting more transparent to the reader of the financial statements.

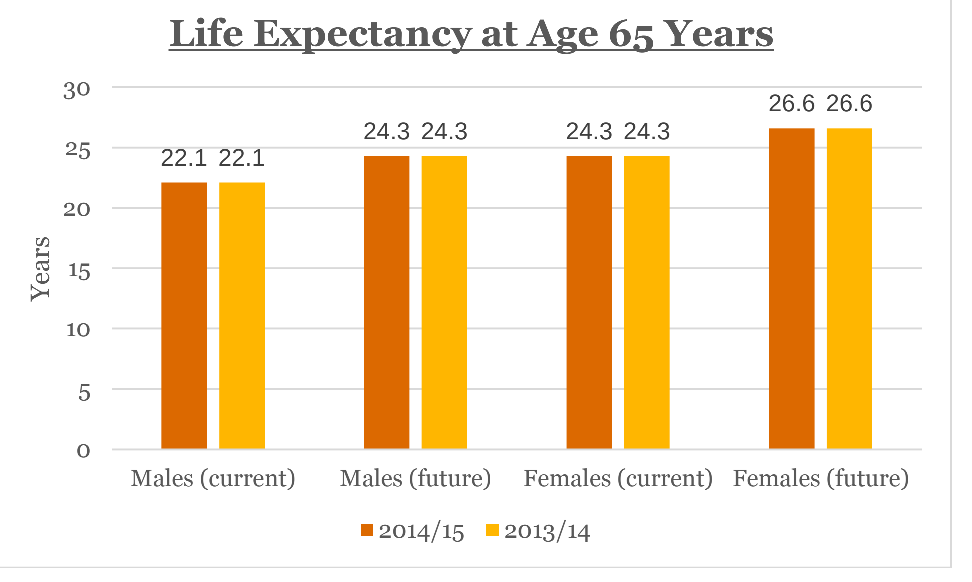
Pensions liability

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the Staffordshire pension fund. Your net pension liability at 31 March 2015 was £1,139.7 million (2014 - £927.0 million).

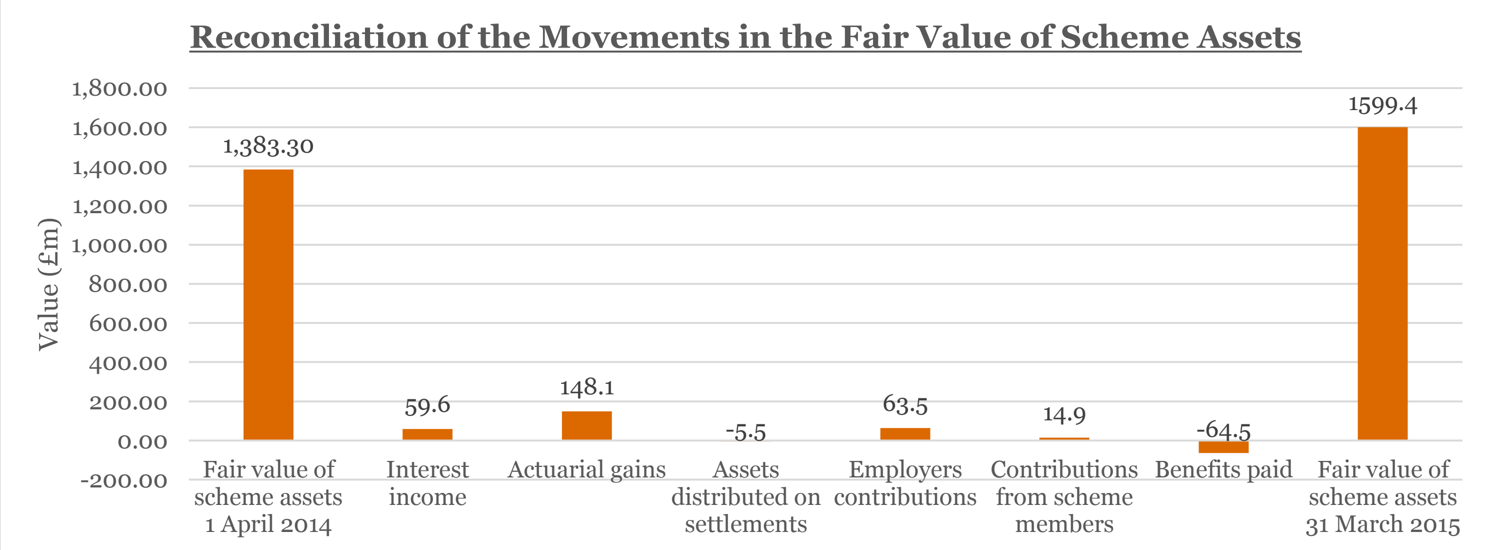
You rely on the work of an actuary in calculating these balances. Changes in the assumptions used by the scheme have yielded a pension actuarial loss of £188.3 million in 2014/15 (£81.2 million loss in 2013/14). The assumptions which have been used by the actuary and the impact on the movement in the fair value of scheme assets and present value of scheme liabilities are as follows:

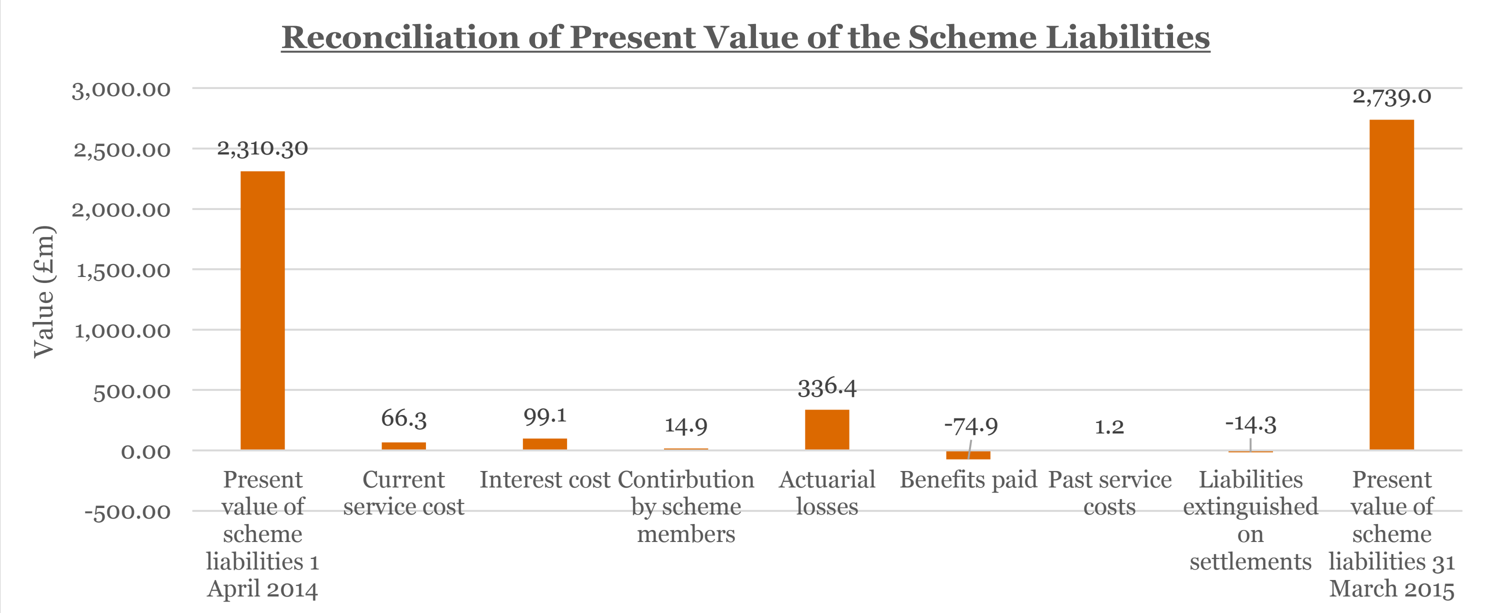


Assumptions 2014/15 Compared to 2013/14
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
4.30%
4.60%
2.40%
2.80%
3.20%
4.30%
Rate of increase in salaries
Rate of increase in pensions
Rate for discounting scheme liabilities
2014/15
2013/14



Life Expectancy at Age 65 Years
Years
30
25
20
15
10
5
0
22.1 22.1
24.3 24.3
24.3 24.3
26.6 26.6
Males (current)
Males (future)
Females (current)
Females (future)
2014/15
2013/14


Reconciliation of the Movements in the Fair Value of Scheme Assets
Value (£m)
1,800.00
1,600.00
1,400.00
1,200.00
1,000.00
800.00
600.00
400.00
200.00
0.00
-200.00
1,383.30
59.6
148.1
-5.5
63.5
14.9
-64.5
1599.4
Fair value of scheme assets 1 April 2014
Interest income
Actuarial gains
Assets distributed on settlements
Employers contributions
Contributions from scheme members
Benefits paid
Fair value of scheme assets 31 March 2015


Reconciliation of Present Value of the Scheme Liabilities
Value (£m)
3,000.00
2,500.00
2,000.00
1,500.00
1,000.00
500.00
0.00
-500.00
2,310.30
66.3
99.1
14.9
336.4
-74.9
1.2
-14.3
2,739.0
Present value of scheme liabilities 1 April 2014
Current service cost
Interest cost
Contirbution by scheme members
Actuarial losses
Benefits paid
Past service costs
Liabilities extinguished on settlements
Present value of scheme liabilities 31 March 2015

We reviewed the reasonableness of the assumptions underlying the pension liability and utilised the work of actuarial experts to assess the assumptions, and we are comfortable that the assumptions are within an acceptable range. Our letter of representation will ask you to confirm that you are satisfied with the assumptions being made in arriving at these judgements and estimates in the accounts. Please refer to the management representation letter in Appendix 2.

We validated the data supplied to the actuary on which to base their calculations. We have no issues to report in terms of the accuracy and the completeness of the data submitted to the actuary.

We have confirmed the assets held by the pension fund with the custodians as part of the audit of the Pension Fund financial statements. We performed a reasonableness check on the pension assets by comparing the value estimated by the Actuary for the Fund's assets against the actual value at 31 March 2015, and considering the amount which was attributable to the Council based on the Council's share of the funds. We have not issues to report in terms of the work performed.

Misstatements and significant audit adjustments

We have to tell you about all uncorrected misstatements we found during the audit, other than those which are trivial. We are also required to report to you material amendments made to your draft accounts as a result of the audit.

We are pleased to report that our work there are no uncorrected misstatements.

We bring to your attention in Appendix 1 to this report the misstatements which have been corrected by management but which we consider you should be aware of in fulfilling your governance responsibilities.

The two misstatements identified did not impact on the draft reported General Fund outturn or on the cash position of the Council.

We are pleased to report that there were no adjustments proposed for the Pension Fund Accounts.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask management and the Audit and Standards Committee to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered. Please refer to the management representation letter in Appendix 2.

Judgments and accounting estimates

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

Property, plant and equipment – depreciation and valuations

You charge depreciation based on an estimate of the Useful Economic Lives of your Property, Plant and Equipment (PPE). This involves a degree of estimation. You also value your PPE in accordance with your accounting policies to ensure that the carrying value is true and fair. This involves some judgement and reliance on your internal valuers assumptions and methodology. As we have already set out in this report, we have undertaken specific steps to ensure that the judgements you have made, and those made by the valuer are in line with our expectations.

Property, plant and equipment – enhancing and non-enhancing expenditure

You classify capital expenditure between 'enhancing' expenditure (which results in new or improved assets) and 'non-enhancing' expenditure (which does not enhance an asset). Non-enhancing expenditure also includes repairs and maintenance which have been incurred during the year. This classification involves some judgement by looking at the overall expenditure which has been incurred on a scheme and undertaking an assessment of what assets the repairs and maintenance have been incurred against. Our testing did not find any issues with the classification of enhancing and non-enhancing expenditure.

Bad debt provision

Your bad debt provision for sundry debtors is calculated on the basis of age and an assessment of the potential recoverability of the debt. There is an inherent judgement in calculating these provisions and you rely on the knowledge of the Joint Finance Units for information on specific transactions. The bad debt provision at 31 March 2015 is £2.9 million, compared with £3.2 million as at 31 March 2014. We have reviewed the basis of calculation and identified one recommendation which is included later in the Internal Controls section of this report.

Accruals including accumulated absences

You raise accruals for expenditure where an invoice has not been received at the year end, but you know there is a liability to be met which relates to the current year. You also raise accruals for income where a service has been provided but the Council has not raised an invoice at the year-end. Both of these involve a degree of estimation. Testing was performed on a sample of accruals. A small number of misstatements were identified with regards to the cut-off of transactions which were individually and in aggregate below the agreed reporting level of £0.7 million.

You calculate your accrual for untaken holiday and employment benefits at the year-end based on returns completed by managers for a sample of members of staff within each directorate. You apply an average calculation on these returns. The balance at 31 March 2015 is £9.9 million compared to £10.0 million at 31 March 2014. We have reviewed the calculation for the estimate and confirmed that this is reasonable.

Provisions

Provisions at 31 March 2015 total £9.8 million (£11.2 million as at 31 March 2014). The decrease of £1.4 million is largely due to payments of £2.1 million being made for insurance claims (post local government reorganisation) and recognition of an additional £0.5 million for the waste provision for an ongoing dispute with BIFFA. Provisions are liabilities of uncertain amount and timing. There is therefore an inherent level of judgement to be applied. Our testing did not find any issues with regards to the Council's judgement or estimates.

Deferred income

Deferred income at 31 March 2015 totalled £1.4 million (£2.6 million as at 31 March 2014). Because deferred income is income that the Council has received for services to be provided in the future, the amount should be recognised for as deferred income if the Council has the right to do so. Our testing did not find any issues with regards to the Council's judgement or estimates.

Capital grants receipts in advance

Capital grants receipts in advance at 31 March 2015 total £18.8 million (£19.1 million restated as at 31 March 2014). There is an inherent level of judgement to be applied due to that capital grants can only be recognised if the grant conditions have been met, where these have not then these will be recognised as a liability. The Council identified that for the Basic Need grant which is received from the Department for Education that there were no conditions associated with the grant, and that this had been recorded as a capital grant received in advance in error at 31 March 2014. A prior period adjustment was made for £11.6 million to correct this which is detailed in Note 1 to the financial statements.

Our testing identified a further grant for £4.5 million which had been recognised as a capital grant received in advance at the 31 March 2015 which was unconditional. This has been described in further detail in the Misstatements and Significant Audit Adjustments section of this report.

Management representations

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

Financial standing

You identified no material uncertainties related to events and conditions that may cast significant doubt on the Authorities' ability to continue as a going concern and that in overall terms there are sufficient resources available to meet your commitments for at least a 12-month period after the projected date of our audit opinion. We concluded that this consideration is appropriate.

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.

To confirm completeness we performed a range of additional procedures to identify potential related party transactions and did not identify matters during the course of our work. We identified one recommendation which we believe the Audit and Standards Committee should be aware of which is included later in the Internal Controls section of this report.

Audit independence

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

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

Relationships between PwC and the Authority

We are aware of the following relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

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

Employment of PricewaterhouseCoopers staff by the Authority

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

Business relationships

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

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm's internal policies. The audit engagement is subject to an independent partner review of all significant judgements taken, including our reporting to the Audit and Standards Committee and a review of the annual report. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

In addition to the audit of the Statement of Accounts, PwC has also undertaken other work for the Authority that may be perceived to impact upon our independence and the objectivity of our audit team. This work together with the related safeguards are set out on the following page:

Support provided by PwC	Value (£)	Threats to independence and safeguards in place
Certification of claims and returns	6,000 - 6,500 (TBC)	**Self Review Threat:** There is no self review threat as we are certifying management completed grant returns and claims. **Self Interest Threat:** As a firm, we have no financial or other interest in the results of the Council. We have concluded that this work does not pose a self interest threat. **Management Threat:** PwC is not required to take any decisions on behalf of management as part of this work. **Advocacy Threat:** We will not be acting for, or alongside, management and we have therefore concluded that this work does not pose an advocacy threat. **Familiarity Threat:** Work complements our external audit appointment and does not present a familiarity threat. **Intimidation Threat:** We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism.
Provision of specialist support to your internal audit team: **Council Reviews** • Appointment and payment of consultants	6,547	**Self Review Threat:** The reviews have been conducted by a separate engagement team who have no involvement in the audit of the financial statements. There is no self review threat as the results of the reviews will not be used by the audit team as they do not impact on the financial statements. **Self Interest Threat:** As a firm, we have no financial or other interest in the results of the Council. We have concluded that this work does not pose a self interest threat. **Management Threat:** PwC is not required to take any decisions on behalf of management as part of this work, the work is to review, comment and advise. All reports are issued by the Council's Head of Internal AuditWe have concluded that this work does not post a management threat. **Advocacy Threat:** This work does not constitute a significant piece of internal audit work and we will not be leading or directing or making
• Total performance management	3,771	
• Information Security Review (delivered in 2014/15 part of the 2013/14 plan)	9,073	
Other Bodies' Reviews • Communities facilities review	2,919	

• Volunteers review	2,919	significant decisions as part of this work. We have therefore concluded that this work does not pose an advocacy threat.
• Recruitment review	3,731	**Familiarity Threat:** The work will not be used by the external audit team and does not present a familiarity threat.
• Referrals and waiting lists review	3,731	**Intimidation Threat:** We have concluded that this work does not pose an intimidation threat as all officers and members have conducted themselves with utmost integrity and professionalism

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2015 is included on page 26 and our non-audit fees on pages 16 to 17. In relation to the non-audit services provided, none included contingent fee arrangements.

Services to Directors and Senior Management

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

Rotation

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

Gifts and hospitality

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

Conclusion

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

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

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

Annual Governance Statement

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

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

Economy, efficiency and effectiveness

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

The Audit Commission guidance includes two criteria:

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

In meeting our statutory responsibilities relating to economy, efficiency and effectiveness, the Audit Code of Audit Practice requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities. In our planning risk assessment and audit plan we identified your medium term financial plans and savings targets over the next few years for detailed review. This risk is included to highlight that we judge that there is a significant risk in relation to our value for money responsibility.

We agreed in the audit plan that we would:

- review your updated MTFS and its key assumptions, and benchmark the assumptions you have used within it against other local authorities;
- review savings plans and the assumptions which underpin material savings plans to review their relevance and robustness;
- review your in-year finance reports to identify the key issues and consider their impact on budgets and plans; and
- maintain a watching brief on financial management arrangements in relation to any significant new areas of spend.

You will be required to make around £230.0 million of savings and service reductions over the 5 years (2015/16 – 2019/20), with a further £1.9 million of funding gap to be met through the use of General Reserves in 2015/16 with headroom in 2016/17 and 2017/18 which totals £10.1 million, and a funding gap of £3.0 million and £2.2 million in 2018/19 and 2019/20 respectively. This means that the MTFS is broadly balanced over the planned period if these savings are achieved.

You have identified planned schemes which total £230.0 million for the period 2015/16 to 2019/20, which are assessed in terms of delivery as either delivered (recurrent savings) or high, medium and low. Of the savings to be achieved in 2015/16 which total £31.5 million, you have already delivered over half £16.3 million, with £5.1 million assessed as low risk. £5.0 million of this relates to savings to be realised through integration with the Staffordshire and Stoke on Trent Partnership Trust.

You reported to members in June 2015 an overspend against the budget of £7.3 million (1.5%), the majority of which was within People, for £10.8 million. This was for a variety of reasons which included:

- pressures relating to increasing numbers of older people requiring care leading to savings of £4.2m not being realised;
- pressures due to growing numbers of looked after children of £1.9m;
- following consultations and listening to the public, a reduction in the planned savings for modernisation of day and residential services; and
- pressures from new and increased packages of care for £6.3m.

We have prepared a more detailed report for the Director of Finance and Resources which will be presented to the Budget Working Group in September 2015. The areas of focus and proposed work undertaken as part of this report are as follows:

Area of Focus	**Proposed work.**
Programme management	Review the governance structure in place to deliver your plans (including extent of Member involvement), the level and extent of accountability including escalation of issues, and how your monitoring and reporting will work.
Progress to date	• Undertake a review of how you have managed your 2014/15 savings programme; • Investigate the reasons behind any significant variations from the plan; and • Consider how this is connected with the forward-looking MTFS.
Assumptions	Review the key assumptions included in the MTFS, comparing them with best practice and those used by other Local Authorities.
Reserves	Consider the adequacy of your planned level of reserves and contingencies against your stated policy and the level of future risk in delivering the MTFS.
Economy, efficiency and effectiveness	• Assess how you have prioritised resources as part of the MTFS; and

- Update our understanding of your arrangements to review the value for money which your services provide and the actions you have taken in response.

The key points we have noted from this work are:

- You have demonstrated in the past that you have robust programme management arrangements in place and that you substantially achieve the savings targets which you have set yourself.

- You have recognised that as demand for care for the elderly, for people with disabilities and for looked after children continues to grow that you need to invest to be able to provide this support, with £20m being invested in 2015/16.

- You have applied a number of prudent assumptions in setting your MTFS. In some cases these were more prudent than in our benchmark average. However, we believe these are realistic assumptions which will help you to meet manage the financial risks which exist over the plan period.

- The Audit Commission value for money profile, whilst backwards looking, continues to show a number of key areas where the Authority is providing services which can demonstrate value for money when compared with other County Councils. Spend on services is largely in line with the average for other authorities with the exception of sustainable economy and environmental services which are below the average.

- The assumptions you have used in setting your MTFS are broadly in line with other similar authorities. Our work in this particular area has not identified any issues which would lead to a qualified value for money conclusion. We have identified that further work will need to be performed on the MTFS once you have factored in the impact of any further loss in revenue support grant once this becomes known and that whilst your current reserves level is adequate, you will need to begin to replenish the level of reserves which have been used in previous years to manage the overspends incurred or budget gaps.

- The majority of savings which are included in the MTFS are legacy savings which have a recurrent impact over the lifetime of the MTFS. Our testing of schemes over £1.0m did not identify any issues.

We have identified no significant concerns and there are no areas where further risk based audit work is required at this time.

We anticipate issuing an unqualified value for money conclusion.

Internal controls

Accounting systems and systems of internal control

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

Reporting requirements

We have to report to you any deficiencies in internal control that we found during the audit which we believe should be brought to your attention.

No significant deficiencies in internal control were identified through our work. However, in our professional judgement we believe the following matters should be brought to your attention:

Deficiency	Recommendation
Input Data for Valuations Our testing of the input data for the valuations of land and buildings identified that the Property Team do not retain complete audit trails. Specific areas noted include: • The value applied to the land area is based on a judgement by the valuer which is not supported by further documentation/calculations. • For 1 valuation tested this was based on historic floor areas used in previous valuations as the Property Team were unable to locate the relevant file. • Where land is split between developed and non-developed, the developed area can be based on drawings that are digitally measured, however these measurements are not retained. As part of our work, we performed additional testing to obtain comfort over the accuracy of the valuations undertaken.	That where valuations are performed during the year the Property Team ensure that there is supporting documentation available for the key input judgements which have been used when calculating the valuation for the year and that this is retained on file.

Deficiency	Recommendation
Declarations of Interest Our testing of Members Declarations of Interest identified that 27 Members had not responded to the Council's request for disclosure of related party relationships and there were 27 instances where our testing identified undisclosed interests based on the independent checks which we performed. Our testing confirmed for these undisclosed interests there were no related party relationships and transactions which had been omitted from the financial statements.	The Council collate the declaration of interest forms as part of the year-end close down procedures to ensure there is adequate disclosure of all related party interests in the financial statements and that members are reminded of their responsibilities to provide such declarations. Where declaration of interest forms are collected in advance of the year-end that confirmation is received that there have been no changes at the year-end to those previously disclosed.
Review of aged debtors within the bad debt provision Our testing of the bad debt provision identified one debt included in the provision which was dated over 15 years old, this was subsequently written off during the year end final audit. Further review of the listing of debts provided for identified a number of significantly aged low value debtors.	That a review is undertaken of the debts currently provided for and for those that are significant in age these are considered in further detail for write off if it is deemed that they are not recoverable.

Risk of fraud

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

Auditors' responsibility

Our objectives are:

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

Management's responsibility

Management's responsibilities in relation to fraud are:

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

Responsibility of the Audit Committee

Your responsibility as part of your governance role is:

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

Your views on fraud

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

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistle-blower lines) are in place in the entity?

- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

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

We included two fraud related risks in our audit plan. These risks along with our findings in these areas are set out earlier in this report in the Audit Approach section.

Conditions under which fraud may occur

Management or other employees have an incentive or are under pressure

Incentive / pressure

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

Fees update

Fees update for 2014/15

We reported our fee proposals in our plan. Our actual fees were in line with our proposals.

Our fees charged were therefore:

	2014/15 outturn (£)	2014/15 fee proposal (£)
Audit work performed under the Code of Audit Practice: - Statement of Accounts - Use of Resources Conclusion - Whole of Government Accounts	146,340	146,340
Pension Fund audit work	28,637	28,637
Additional local risk based audit work – Migration of pension fund data from SAP to Altair	2,211	2,211
Total	**177,188**	**177,188**

Appendices

Appendix 1: Summary of misstatements

We have identified the following misstatements during our audit of the financial statements that have been corrected by management.

No	Description of misstatement (factual, judgemental, projected)		Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m(
1	**Pensions Prepayment**	J				
	Dr Pension Reserve				14.0	
	Cr Prepayment					14.0
	Being an adjustment for the lump sum payment of the contributions for 2015/16 and 2016/17 as a prepayment in order for this to be accounted for through the pension reserve in the year ending 31 March 2015					
2	**Overstatement of capital grants receipts in advance**	F				
	Dr Capital grants receipts in advance				4.4	
	Cr Income			4.4		
	Through testing performed we identified one unconditional grant and therefore the balance should have been recognised in the Comprehensive Income and Expenditure Statement in 2014/15. Further investigation by the Council identified that there were no other education grants which were unconditional that had been treated as deferred at the 31 March 2015.					
Total misstatements			**-**	**4.4**	**18.4**	**14.0**

The two misstatements identified did not impact on the draft reported General Fund outturn or on the cash position of the Council.

Appendix 2: Letter of representation

[Staffordshire County Council letterhead]

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Dear Sirs

Representation letter – audit of Staffordshire County Council's (the "Authority") Statement of Accounts for the year ended 31 March 2015

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2015 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15.

I acknowledge my responsibilities as Director of Finance and Resources for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

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

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

Statement of Accounts

I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the Service Reporting Code of Practice 2014/15; in particular the Statement of Accounts give a true and fair view in accordance therewith.

All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.

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

All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 requires adjustment or disclosure have been adjusted or disclosed.

The restatement made to correct a material misstatement in the prior period Statement of Accounts that affects the comparative information has been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The decision by the Authority to not restate the prior period in respect of the accounting for schools non-current assets was on the basis that this was not material to the financial statements.

The following have been recognised, measured, presented or disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

- Plans or intentions that may affect the carrying value or classification of assets and liabilities;
- Liabilities, both actual and contingent;
- Title to, or control over assets, liens or encumbrances on assets, and assets pledged as collateral; and
- Aspects of laws, regulations and contractual agreements that may affect the statement of accounts, including non-compliance.

Information Provided

I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the authority's auditors, are aware of that information.

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

So far as I am aware, there is no relevant audit information of which you are unaware.

Accounting policies

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

Fraud and non-compliance with laws and regulations

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

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.

- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:

  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the Statement of Accounts.

- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.

- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Statement of Accounts.

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

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

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

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

Related party transactions

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

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

No transactions involving members, officers and others requiring disclosure in the Statement of Accounts under the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 have been entered into.

Employee Benefits

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

Contractual arrangements/agreements

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

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Taxation

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

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.

- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken for the authority's benefit or any other party's benefit.

- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Pension fund assets and liabilities

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

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

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

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund. Any significant changes in those values since the date of the Statement of Accounts have been disclosed to you.

Pension fund registered status

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

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Subsequent events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

Accounting estimates: measurement processes, assumptions, disclosures and effects of subsequent events

Regarding accounting estimates that were 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.

Provisions

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

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

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.

Using the work of experts

I agree with the findings of our internal valuations team, experts in evaluating the valuation of our property, plant and equipment (land and buildings) and Arlingclose, experts in providing estimates of fair values in respect of financial liabilities. I have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts and underlying accounting records. The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

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

In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.
The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority's assets, except for those that are disclosed in the Statement of Accounts.

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

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 statement of accounts.

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

Retirement benefits

All retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority’s actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

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

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

- Rate of increase in salaries 4.3%;
- Rate of increase in pensions 2.4%;
- Rate for discounting scheme liabilities 3.2%

- Life expectancy at age 65 years:
  - Males: current 22.1 years; future 24.3 years; and
  - Females: current 24.3 years; future 26.6 years.

The authority participates in the Teachers' Pension Scheme that is a defined benefit scheme. I 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.

Other matters

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

As minuted by the Audit and Standards Committee at its meeting on 14 September 2015

………………………………….

Director of Finance and Resources

For and on behalf of Staffordshire County Council

Date ……………………

Appendix 1 - Related parties and related party transactions

- Keele University Science and Business Park
- Rawlett Trust
- Staffordshire Playing Fields Association
- Cannock Chase District Council
- Hednesford Town Council
- Newcastle-under-Lyme Borough Council
- Rochester PC
- Local Government Association
- CCN
- South Staffordshire Council
- East Staffordshire Borough Council
- Barton Quarry
- Newbold Quarry
- Yoxall Town Lands Trust
- Wombourne Parish Council
- Stoke-on-Trent and Staffordshire Fire and Rescue Authority
- Lichfield District Council
- Lichfield City Council
- Kinver Parish Council
- Stafford Borough Council
- Beyne School Foundation
- Tamworth Borough Council
- Tamworth Cornerstone Housing Association
- Staffordshire Moorlands District Council
- Horton Parish Council
- Perton Parish Council
- Staffordshire and Stoke-on-Trent Partnership Trust
- Bilbrook Parish Council
- Codsall Parish Council
- Codsall Middle School
- Codsall Community High School
- Rugeley Town Council
- Stretton Parish Council
- Royal British Legion
- Conservative Party
- Oak Tree Farm Rural Project Limited
- Entrust Education Services Limited
- New Vic Theatre Trust
- Stoke-on-Trent and North Staffordshire Theatre Trust Limited
- Blythe Bridge High School Music Trust
- Great Wyrley Parish Council
- Ramblers Association
- Heath Hayes and Wimblebury Parish Council
- Five Ways Primary School
- Etching Hill Tennis Club
- Forest of Mercia
- Mid Staffordshire NHS Foundation Trust (former)
- Four Ashes Energy Recovery Facility – Veolia UK
- Brewood and Coven Parish Council
- Clayton Hall Business and Language Council
- LDC
- Armitage with Handsacre Parish Council
- Lichfield Cathedral
- Hatherton and Walgherton Parish Council
- Saredon Parish Council
- Littleton Green Community School
- Ranton Parish Council
- Burntwood Town Council
- Age UK South Staffordshire
- South Staffordshire Conservative Association
- Staffordshire Pension Fund
- Biddulph High School
- Changeworks Communications Limited
- Macmillan Cancer Support
- Integrated Water Services
- Mid Counties Cooperative
- ABSR Holdings Limited
- Instaffs (UK) Limited
- JABA Associates Limited
- Request Systems Limited
- Chase Co-Operative Learning Trust

- Greater Birmingham and Solihull Local Enterprise Partnership
- Leek Citizens Advice Bureau
- Stoke-on-Trent and Staffordshire Safer Communities Community Interest Company
- Burton Co-Operative Learning Trust
- Back 2 Bikes
- Make Some Noise (West Midlands) Limited
- Cable (Cannock) Limited
- West Midlands Estates Limited
- West Midlands Estates (Properties) Limited
- Basterfield Group Limited
- South Staffordshire Community and Voluntary Action
- Cherry Orchard Garden Services
- Darwin Hall Community Association
- Francis and Jellyman Limited
- Staffordshire and Black County Business Innovation Centre Limited
- The De Ferrers Academy
- Aspire Group (Staffordshire) Limited
- Staffordshire Environmental Fund
- Community Transport Stafford and District
- Biddulph Citizens Advice Bureau
- Moorlands Housing
- Springfield China Limited
- Sinnett Lawson Limited
- Lakeland Promotions Limited
- Digital Dragons Global Limited
- J H Marshall (Holdings) Limited
- J H Marshall (Pressings) Limited
- J & D Transport (Midlands) Limited
- Groupage Consultancy Services Limited
- South Staffordshire Network for Mental Health
- Saffron Young Peoples Project Limited
- Stafford and Stone Citizens Advice Bureau
- Staffordshire South West Citizens Advice Bureau
- Simon Tagg Limited
- South East Staffordshire Citizens Advice Bureau
- Central Technology Belt
- Local Information Unit Limited
- Nexxus Trading Services Limited
- John Pointon Sports and Recreation Facility
- The JCB Academy Trust
- LGG Limited
- The Association of Council Secretaries and Solicitors
- Nabal Limited
- Public Health Foundation of Nigeria
- PH Now Limited
- Precision Architecture and Construction
- Sustainability West Midlands

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