

# ITEM 7

## DERBY CITY COUNCIL LETTER HEAD

27 September 2007

To PricewaterhouseCoopers LLP

Mr Steve Valentine  
19 Cornwall Street  
Birmingham  
B3 2DT

Dear Steve

### **Audit of the Statement of Accounts for the year ended 31 March 2007 – Management Representation**

This representation letter is provided in connection with your audit of the Statement of Accounts of Derby City Council for the year ended 31 March 2007 for the purpose of expressing an opinion as to whether the Statement presents fairly the financial position of Derby City Council as at 31 March 2007 and its income and expenditure for the year then ended.

My responsibilities as Chief Financial Officer for preparing the Statement of Accounts are set out in the Statement of Responsibilities for the Statement of Accounts. I am also responsible for the administration of the financial affairs of the Council. I also acknowledge 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 Derby City Council with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation, 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:

#### **Accounting records**

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 Council's auditors are aware of that information, including that:

- All the accounting records, whether for the purposes of financial reporting or any other purpose, have been made available to you for the purposes of your audit and all the transactions undertaken by the Council and the Group have been properly reflected and recorded in the accounting records.
- All other records and related information which might affect the fair presentation of, or necessary disclosure in, the Statement of Accounts, including minutes of the Council and relevant management meetings, have been made available to you and no such information has been withheld.

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 Council's and the Group's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of the

Statement of Accounts are the most appropriate to present fairly the Council's and the Group's particular circumstances, as required by the 2006 Code of Practice on Local Authority Accounting in the United Kingdom (A Statement of Recommended Practice (the SORP)).

### **Related Party Transactions**

I confirm that Derby City Council has disclosed all related party transactions relevant to the Council and the Group and that I am not aware of any other such matters required to be disclosed in the Statement of Accounts under the requirements of the 2006 SORP.

### **Employee benefits**

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

### **Contractual arrangements/agreements**

All contractual arrangements entered into by Council and the Group with third parties have been properly reflected in the accounting records or, where material (or potentially material) to the Statement of Accounts, have been disclosed to you.

### **Laws and regulations**

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 Council and the Group conducts its business and which are central to the Council's and the Group's ability to conduct its business or that could have a material effect on the financial statements.

Other than a fraud committed in sundry debtors and irregularities identified in relation to Environment Services, 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 financial statements.

### **Fraud**

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

I have disclosed to you:

- i) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud
- ii) my knowledge of fraud or suspected fraud affecting the Council involving:
  - members
  - management
  - employees who have significant roles in internal control, or
  - others where the fraud could have a material effect on the Statement of Accounts;
- iii) my knowledge of any allegations of fraud, or suspected fraud, affecting the Council's Statement of Accounts communicated by members, employees, former employees, regulators or others.

### **Subsequent events**

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

## Assets and liabilities

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

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

We have no plans or intentions that will result in any excess or obsolete stock, and no stock is stated at an amount in excess of net realisable value.

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

## Retirement benefits

- All significant retirement benefits that Derby City Council and the Group is committed to providing, including any arrangements that are statutory, contractual or implicit in Council's and the Group's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and accounted for in accordance with the 2006 SORP 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:

<b>Assumption</b>	<b>Assumption set by Actuary</b>
Discount rate	5.4%
Inflation (RPI)	3.1%
Salary increases	4.6%
Mortality	18.6 yrs - male 21.6 yrs - female
Expected return on equities	5.87%

## Provisions

Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments and contingencies (in particular liabilities relating to Single Status) where the items meet the terms of FRS 12 for a provision and are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary have been appropriately disclosed in the financial statements.

## Litigation

I am not aware of any pending or threatened litigation, proceedings, hearing or claims negotiations which may result in significant loss to Derby City Council.

**Specific Items**

Other than Waste project with Derbyshire County Council, Derby City Council does not have plans to enter into any further significant long term financial contracts (including Private Finance Initiative) schemes which might affect the financial statements for 2006/2007.

The Council does not have plans to implement any redundancy/early retirement programmes for which we should have made provision in the financial statements.

**Adjustment A**

Following an agreed adjustment in the 2005/06 financial statements Adjustment A is calculated as £51.014 million. We can confirm that this relates entirely to 1974 transferred debt to Derbyshire County Council, Erewash Borough Council and South Derbyshire District Council. We are not aware of any retrospective accounting treatment which requires correction as a result of Adjustment A.

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(Chief Financial Officer)

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Date

For and on behalf of Derby City Council