

**Gareth Chapman CStJ., DL., LL.M., MBA., CMgr., DipLG., CCMI., Solicitor**  
Chief Executive/Prif Weithredwr

**APPENDIX 1**

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**MERTHYR TYDFIL**  
County Borough Council  
Cyngor Bwrdeistref Sirol  
**MERTHYR TUDFUL**

Mr Anthony Barrett  
Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Date/Dyddiad: 28<sup>th</sup> September 2016

Our ref./Ein Cyf.: 16 09 28 (L) AB/GC  
Your ref./Eich Cyf.:

Please ask for/*Gofynnwch am*: **Gareth Chapman**  
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Dear Mr Barrett

## **REPRESENTATIONS REGARDING THE 2015-16 FINANCIAL STATEMENTS**

This letter is provided in connection with your audit of the financial statements of Merthyr Tydfil County Borough Council (the Council) for the year ended 31 March 2016 for the purpose of expressing an opinion on their truth and fairness and their proper.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting in the UK 2015-16; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.
- Our knowledge of all known partnerships and joint working/collaborative arrangements that would impact on the financial statements.

#### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The Council has complied with all conditions imposed by relevant grant paying organisations and can reasonably expect to receive the amounts of grant included within the financial statements.

The Council has complied with all aspects of contractual agreements that would require adjustment to, or disclosure in, the accounting statements and related notes. The reserves of the Council have been reviewed and are properly treated within the final financial statements in accordance with the CIPFA guidance.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole which is the reason why these items have not been adjusted in the final version of the accounts. A summary of these items is set out below:

**Surplus assets are overstated by £515,000**

- Bilfinger GVA have valued surplus assets £515,000 lower than included within the Balance Sheet as at 31 March 2016. This will be adjusted for within 2016-17.

**The recoverability of £418,000 in relation to the former Housing Revenue Account is questionable**

- £418,000 of Housing Revenue Account Debtors pre-date the stock transfer date of 30 March 2009. The recoverability of this aged debt is uncertain. We shall make further enquiries with the housing association regarding the terms of this debt in 2016-17 and take appropriate action thereafter.

**Long term borrowings are understated by £227,000**

- An element of the Home Improvements Grant has been incorrectly coded resulting in Capital Grants Unapplied being overstated and Long Term Borrowing being understated by £227,000 respectively. This has been corrected in 2016-17.

**Insurance costs are overstated by £208,000**

- The financial statements incorrectly show the total cost of self-insurance equal to the £576,000 contribution to the insurance fund reserve made by each service area. The actual cost is the total of payments made to claimants of £368,000. We shall correct the accounting treatment prospectively from 2016-17.

Representations by the Members of Merthyr Tydfil County Borough Council

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Merthyr Tydfil County Borough Council on 28 September 2016.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

**Signed by:**

**D S Jones**

**Chief Finance Officer**

**Date: 28<sup>th</sup> September 2016**

**Signed by:**

**Councillor Margaret Davies**

**Mayor**

**Date: 28<sup>th</sup> September 2016**