

Mr S Nicklin
Audit Commission
Nickalls House
Metro Centre
Gateshead
Tyne & Wear
NE11 9NH

Date: 28th September 2012
Our ref: CFA/DDN
Your ref:

Dear Steve,

Sunderland City Council – Letter of Representation for the year ended 31st March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Sunderland City Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31st March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit Regulations 2011 and the Code of Practice for Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatements

The effects of uncorrected financial statements misstatements summarised below are not material to the financial statements, either individually or in aggregate, and they have therefore not been corrected in the financial statements after being discussed and agreed with the auditor.

- Short term creditors included £153k of debit balances, which should have been reclassified as short term debtors.
- There is an issue arising in the calculation of the depreciation on embedded lease vehicles. The calculation has been done on the

depreciated value rather than the gross value. The total effect is an understatement of £431k in depreciation.

- The Housing and Council Tax Benefits Grant Income has been overstated by £548k. There is a corresponding overstatement of the same amount in expenditure. This is reflected in the Other Housing Services Gross Expenditure and Gross Income in the service lines of the Comprehensive Income and Expenditure Statement. There is no impact on the Net Expenditure position.

Supporting records

I have made available all relevant information and access to persons within the Council for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Council.

Irregularities

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

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

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

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

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.

In particular, I confirm that equal pay has been disclosed appropriately in the accounts. A provision of £5,237k has been made for the liabilities that are accepted and is based on a best estimate of settlement. A contingent liability has been disclosed for the remaining potential liabilities that are still being contested by the Council. There is sufficient uncertainty about this remaining potential liability and the amount of any such liability that I have concluded that a provision is not appropriate, and also that it is not possible to estimate the specific value of the potential liability in the contingent liabilities note.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

I confirm that the Council's long term investment in Newcastle International Airport, which is included in the Balance Sheet, reflects the latest available valuation of the airport.

Related party transactions

I confirm that I have disclosed the identity of Sunderland City Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Sunderland City Council.

I confirm that this letter has been discussed and agreed by the Audit and Governance Committee held on 28th September 2012.

Signed:

Name: Malcolm Page

Position: Executive Director of Commercial and Corporate Services

