

London Borough of Bromley

Report to those charged with governance

Report to the General Purposes and Licensing Committee of the
Authority on the audit for the year ended
31 March 2013 (*ISA (UK&I) 260*)

Government and
Public Sector

September 2013

Contents

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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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. We have issued, or will issue, a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.

A list of these reports is included at Appendix 1 to this report.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to you in March 2013; we have reviewed the plan and concluded that it remains appropriate.

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 on 30 September 2013.
- The key outstanding matters, where our work has commenced but is not yet finalised, are:
 - approval of the Statement of Accounts and letters of representation;
 - receipt of outstanding bank and investment confirmations; and
 - completion procedures including subsequent events review.
- There are four key judgments which require the General Purposes and Licensing Committee's attention – further details are set out on page 10.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of its standing guidance.

We look forward to discussing our report with you on 25 September 2013. Attending the meeting from PwC will be Janet Dawson or Katy Elstrup.

Acknowledgements

We would like to thank Peter Turner, Tracey Pearson, and their team for the considerable help and assistance provided to us during the course of our audit.

We have explained the key elements that make up the PwC audit.

Audit approach

Smart People

We continue to deploy our best people on your audit, supported by a substantial investment in training and in our industry programme.

It is our intention that, wherever possible, the same senior staff work on the London Borough of Bromley audit each year, developing effective relationships and an in depth understanding of your business. We are committed to properly controlling succession within the core team, providing and preserving continuity of team members.

We have held periodic client service meetings with you, separately or as part of other meetings, to gather feedback, ensure satisfaction with our service and identify areas for improvement and development year on year. These reviews form a valuable overview of our service and its contribution to the business. We use the results to brief new team members and enhance the team's awareness and understanding of your requirements.

Smart Approach

Data auditing

We use technology-enabled audit techniques to drive quality, efficiency and insight.

In 2013 the work included:

- Testing manual journals through data analytics, so we consider the complete population of manual journals and target our detailed testing on the items with the highest inherent risk;

We will also continue to explore ways to extend our use of smart technology and data into other areas where we see an opportunity to add value, as well as for quality and efficiency.

Centre of Excellence

We have a Centre of Excellence in the UK for Local Government which is a dedicated team of specialists which advises, assists and shares best practice with our audit teams in more complex areas of the audit.

Our team has been working side by side with the Centre of Excellence to ensure we are executing the best possible audit approach.

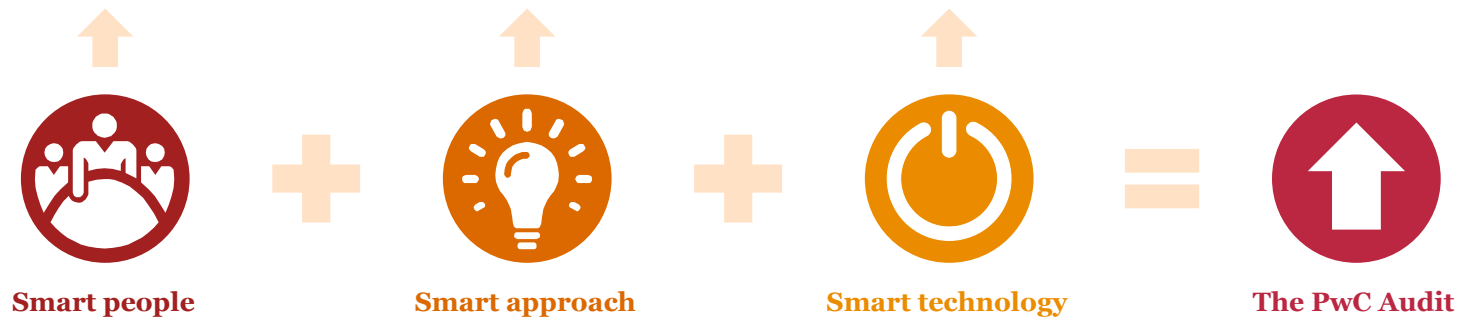
Delivery centres

We use a dedicated Local Government delivery centre to deliver parts of our audit work that are routine and can be done by teams dedicated to specific tasks, focusing specifically on consistency and casting checks of the Statement of Accounts.

Smart Technology

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC's Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities. Aura's risk-based approach and workflow technology results in a higher quality, more effective audit and the tailored testing libraries allow us to build standard work programmes for key local government audit cycles.

In our plan presented to you in March 2013, we detailed our risk assessment. This allowed us to determine where our audit effort would be focused. We have documented our approach to the risks noted.



We have summarised below the significant risks we identified in our audit plan and the audit approach we took to address them.

Risk	Categorisation	Audit approach
Fraud and management override of controls	Significant	<p>During the audit we focused on areas where management could override the control environment to materially misstate the financial statements.</p> <p>We:</p> <ul style="list-style-type: none"> • tested the appropriateness of journal entries by testing a sample based upon our risk assessment criteria, being the total value of the journal, the time of day, the day of the week, whether it was a round sum and lastly where it was backdating an entry; • reviewed and evaluated internal control processes and procedures as part of the planning work; • reviewed accounting estimates for provisions and deferred income for biases and evaluated whether circumstances producing any bias represent a risk of material misstatement due to fraud; • evaluated the business rationale underlying significant transactions such as the revaluation work performed by the Council; and • performed 'unpredictable' procedures. <p>We did not identify any issues to report to you as a result of our work.</p>

Risk	Categorisation	Audit approach
<p>Recognition of income and expenditure</p>	<p>Significant</p>	<p>We obtained an understanding of key revenue and expenditure controls.</p> <p>We evaluated and tested the accounting policy for income and expenditure recognition to ensure that it is consistent with the requirements of the Code of Practice on Local Authority Accounting for 2012/13 (“the Code”).</p> <p>We performed detailed testing of revenue and expenditure transactions focussing on the areas of greatest risk.</p> <p>We reviewed significant accounting estimates and judgements for indicators of management bias.</p> <p>For neither income nor expenditure did we identify any issues to report to you as a result of our work.</p>
<p>Valuation of investment properties</p>	<p>Significant</p>	<p>We:</p> <ul style="list-style-type: none"> • agreed the source data used by your valuer to supporting records; • assessed the work of your valuer through use of our own internal valuation experts; and • agreed the outputs to your Fixed Asset Register and financial statements. <p>Where assets were not re-valued in year, we reviewed your impairment assessment, and evaluated whether your assets were held at an appropriate value in your financial statements at the year-end.</p> <p>As noted on page 7, we have noted a key judgment over the valuation of the Authority’s investment properties which we wish to draw to your attention.</p>

Risk	Categorisation	Audit approach
<p>Medium Term Financial Strategy – savings plans</p>	<p>Elevated</p>	<p>We:</p> <ul style="list-style-type: none"> • reviewed the Authority’s budget monitoring process to identify any areas of concern; and • considered the accounting implications of any savings plans and had discussions about any new and unusual proposals with management. In particular, we considered the impact of the efficiency challenge on the recognition of both income and expenditure. <p>From your Medium Term Financial Strategy, we reviewed:</p> <ul style="list-style-type: none"> • how you have managed your 2012/13 savings programme; • your arrangements to review the value for money which your services provide; and • the adequacy of your planned level of reserves and contingencies against your stated policy and the level of future risk in delivering the Medium Term Financial Strategy. <p>We did not identify any issues to report to you as a result of our work.</p>

We have set out the matters that remain to be resolved before our audit can be completed.

In addition, we have detailed four matters relating to the audit of the Statement of Accounts that we wish to draw to your attention.

Significant audit and accounting matters

Accounts

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

- approval of the Statement of Accounts and letters of representation;
- receipt of outstanding bank and investment confirmations; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and their approval of them 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

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to draw your attention to them, and if required, to enable you to take appropriate action.

We identified four accounting issues during the course of our work that we wish to draw to your attention.

- Valuation of property, plant and equipment and investment properties;
- Depreciation of fixtures and fittings;
- Related parties; and
- Pension liability.

Valuation of property, plant and equipment and investment properties

In line with its accounting policy the Authority has re-valued 20% of its land and buildings during 2012/13. Valuation gains of £2.7 million and impairment losses of £46.4 million were recorded on Land & Buildings in year, resulting in an overall valuation loss of £43.7 million in relation to these assets.

Management carried out a process to consider formally the impact of the valuation movements identified on the 20% land and buildings valued in year across the remaining population of assets not re-valued in year. We have reviewed the exercise performed by management and are comfortable that the value of land and buildings assets not valued during the year is not materially misstated.

The Authority has utilised the expertise of Wilks, Head & Eve LLP (“WH&E”) in evaluating the valuation of the Authority’s property, plant and equipment and investment properties for the first time this year. In prior years, this valuation had been performed by an in-house valuation team.

Our internal valuation experts have reviewed the assumptions and methodologies used by WH&E, and have noted the following points:

- 1) A significant departure from usual market practice by WH&E is that the valuer has not deducted purchaser’s costs from the gross capital value in their Existing Use Value or Market Value valuations. It is usual market practice when undertaking investment valuations for accounts purposes for the valuer to discount the 'gross' capital value calculated to reflect 'purchaser's costs' and thus to arrive at the 'net' capital value. This is an appropriate and expected valuation approach. Purchaser's costs comprise stamp duty, agents and legal fees and VAT (on the fees).

The deduction of purchasers’ costs is usual practice for valuing commercial investment properties. However, WH&E have not deducted such costs.

Upon discussion with WH&E, they have suggested that their approach is appropriate because the yields they are using are adjusted to reflect that purchasers’ costs are not deducted.

We have considered this approach, and do not consider there to be a material impact of this departure of methodology.

- 2) WH&E have used an approach of apportioning land values as a percentage of building costs in their valuation.

However, we would consider a more robust approach to be deriving the land values by adopting a land value per acre based on market comparables.

We have performed a reasonableness check on the values assigned per WH&E’s approach by benchmarking land values per acre, and do not consider there to be a material impact of this departure of methodology.

Depreciation of fixtures and fittings

The Authority accounts for fixtures and fittings by capitalising these when they are initially acquired as part of a new-build or the fit out of a building but then not charging depreciation on these assets in subsequent years.

Instead, subsequent expenditure on fixtures and fittings is charged directly to revenue and the value of the fixtures and fittings initially capitalised moves in accordance with re-valuation movements on the buildings in which the fixtures and fittings are located.

Whilst this is not the correct way to account for fixtures and fittings we have discussed this with management and are

comfortable that the potential impact on the balance sheet and comprehensive statement of income and expenditure is immaterial. The balance on the re-valuation reserve in relation to fixtures and fittings is £nil and the charge to revenue for spend on fixtures and fittings in 2012/13 was £2.0m. Both these balances are immaterial.

Related parties

Details of the Authority's related party arrangements are disclosed in Note 39 to the Authority's Statement of Accounts. These are where certain members of the Executive and other key management have relationships with related parties. Management have provided a complete list of these related party transactions.

We performed detailed testing over related parties including a public record search of Directors and Board Members to identify any additional relationships by comparing related entities to supplier and customer listings.

This testing identified one additional related party relationship that was not identified by management's controls. Transactions were identified, and subsequently disclosed as part of note 39. The relationship identified was:

Related party	Management relationship
Age Concern Penge and Anerley	Councillor Fookes is Trustee of Age Concern Penge and Anerley

Pensions liability

The most significant estimate in the Statement of Accounts is the valuation of net pension liabilities for employees in the London Borough of Bromley Pension Fund. The net pension liability at 31 March 2013 was £260 million (2012 - £251 million).

The 2013 triennial valuation is yet to be concluded and will be reflected in the 2013/14 Statement of Accounts. The deficit for the Local Government Pension Scheme as a whole is expected to have increased from £38bn to £80bn since 2010.

Although assets increased in value by 20% since 2010, the value of the liabilities has increased by more than 40% as these are linked to gilt prices which are at an all time high.

The chart below shows the significant movement in your net pension liability over the last few years.

Authority Net Pension Liability between 2007/08 and 2012/13



We reviewed the reasonableness of the assumptions underlying the pension liability, and we are comfortable that the assumptions are within an acceptable range.

We validated the data on which the actuary bases their calculations, which is supplied to them by the Authority.

Changes to IAS 19: Employee Benefits

From 2013/14 there will be changes to the accounting for defined benefit schemes and termination benefits. For defined benefit schemes the net finance cost will be used. The net scheme liabilities/assets will be unwound using the discount rate for the pension liability and the costs of administering the scheme will be recognised directly in expenses.

The definition of termination benefits has changed and does not now include liabilities where there is a future service element. They do not include any 'voluntary' element.

Other matters relating to oversight of the financial reporting process are detailed here.

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 identified no non-trivial uncorrected misstatements.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask the General Purposes and Licensing 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.

Judgments and accounting estimates

The following significant judgments or accounting estimates were used in the preparation of the Statement of Accounts:

Recoverability of investment in Heritable Bank -

The Authority had £5.1 million invested with the Heritable Bank at the time of the Icelandic Banking collapse. The Authority recognised an impairment of £1.64m on this investment in 2008/09, reflecting the likely recoverable amount based on CIPFA guidance at this time and part-reversals of this impairment (£0.3m in 2009/10 and £0.73m in 2011/12) have subsequently been recognised as recovery estimates have improved. Since 2008/09 £3.931m of the investment has been recovered. The remaining outstanding balance is £1.156m. The Authority expects to recover £0.546m and holds a provision of £0.61m calculated based on current CIPFA guidance.

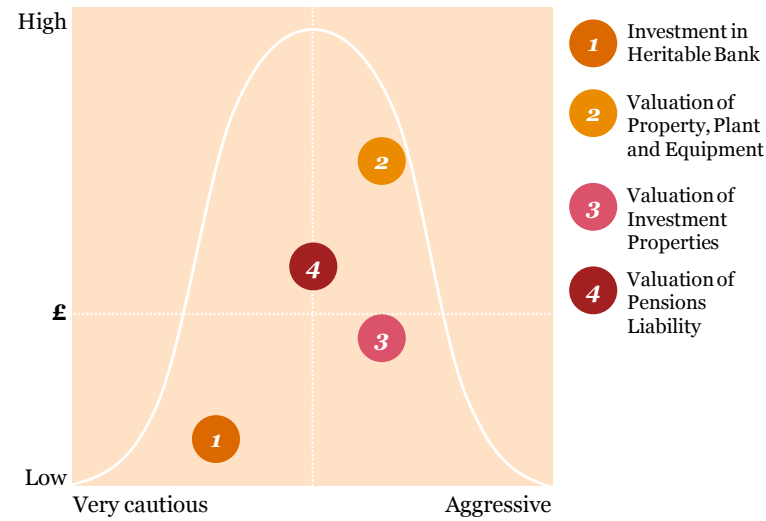
Valuation of Property, Plant and Equipment - The Authority re-valued 20% of its land and buildings in 2012/13 in line with its accounting policy. The valuation was performed by Wilks, Head and Eve LLP. The valuation

methodology includes a number of key judgements and estimates. We engaged our internal valuations experts to consider these assumptions and estimates used in the valuations.

Valuation of Investment Properties - The Authority re-valued a proportion of its investment properties in 2012/13 in line with its accounting policy. The valuation was performed by Wilks, Head and Eve LLP. The valuation methodology includes a number of key judgements and estimates, including those around future income streams and property yields. We engaged our internal valuations experts to consider these assumptions and estimates used in the valuations.

Valuation of Pensions Liability - The Authority engaged the actuary Mercer Limited to estimate the value of the Pension Liability on the balance sheet at 31 March 2013. The calculation involves a number of complex judgements, including appropriate discount rates to be used, mortality rates, expected return on pension fund assets, salary changes and estimates of future retirement ages. We have considered these assumptions against actuarial guidance and have agreed those used to be reasonable.

We outline below a summary of our view of the key accounting judgments applied by management:



Management representations

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

Our conclusion on these judgments is that they are all considered to be reasonable.

We have considered our independence and ask the General Purposes and Licensing Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

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.

For the purposes of this letter we have made enquiries of all PricewaterhouseCoopers’ teams whose work we intend to use when forming our opinion on the truth and fairness of the Statement of Accounts.

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.

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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 is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

Apart from the audit of the Statement of Accounts, PwC has not undertaken other work for the Authority.

Fees

The analysis of our audit for the year ended 31 March 2013 is included on page 17. No non-audit services were provided.

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 auditors 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 auditors 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.

We have applied to the Audit Commission for this extension for Janet Dawson as engagement leader.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Executive, 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 General Purposes and Licensing 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.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We anticipate issuing an unqualified value for money conclusion.

In accordance with ISA (UK&I) 265 we are required to communicate deficiencies in internal control to those charged with governance. These deficiencies were identified from our interim and year-end procedures.

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.

The significant matters that we wish to bring to your attention are detailed below.

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.

Summary of internal control deficiencies

Deficiency	Recommendation	Management's response
<p>Upgrade of Oracle</p> <p>In February 2013, the Authority has upgraded a key financial system, being Oracle Financials. The financial system is used to administer the general ledger, accounts payable, accounts receivable and the Authority's fixed assets.</p> <p>No issues have been noted regarding the migration of data during the upgrade.</p> <p>However, a deficiency has been noted in relation to the retention of testing documentation for the upgrade to a key financial system.</p> <p>While it can be evidenced that testing was performed at the time of the upgrade, this testing has not been formally retained.</p>	<p>We recommend that all testing documentation is retained when an upgrade is performed to a key financial system to ensure a sufficient audit trail is retained.</p>	<p>Testing of all processes and interfaces were carried out as well as full reconciliations of pre and post upgrade balances and no issues were identified regarding the migration of data during the upgrade. All documentation to support the testing and reconciliations, as well as the issue lists that were maintained throughout the upgrade with the external contractor assisting Bromley, were stored on a shared drive (this information has been retained).</p> <p>Although this was not a system re-implementation, it was purely an upgrade of the existing system, it is accepted that a more formal process / sign-off could have been followed and this will be taken into account for any future upgrades.</p>

Bank mandate

The Authority has one bank account out of which payments are made on a regular basis.

On reviewing the bank mandate for this bank account, we noted that the mandate was out of date as it included a signatory who was no longer employed at the Authority.

We recommend the Authority reviews the bank mandate for this bank account to ensure they are up to date.

A revised signature mandate has been sent to the bank and will be kept updated for any future changes

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the Statement of Accounts taken as a whole are free from material misstatement, whether caused by fraud or error.

Risk of fraud

We discussed with you your understanding of the risk of fraud and corruption and any reported instances when presenting our plan.

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 in Appendix 2.

We have provided a fees update based against the plan we presented to you for 2012/13.

Fees update

Fees update for 2012/13

We reported our fee proposals in our plan to you in March 2013.

Our actual fees were in line with our proposals. Our fees charged were therefore:

	2012/13 Outturn	2012/13 Fee proposal
	£	£
Financial statements, local value for money conclusion and Whole of Government Accounts	156,168	156,168
Pension fund audit	21,000	21,000
Certification of claims and returns*	23,250	23,250
Total	200,418	200,418

*Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance in March 2014 within the Certification Report to Management in relation to 2012/13 claims and returns.

Appendices

Appendix 1: Audit reports issued in 2012/13

We have issued, or will issue, the following audit reports in relation to the 2012/13 Audit of London Borough of Bromley and London Borough of Bromley Pension Fund:

- London Borough of Bromley 2012/13 Audit Plan;
- London Borough of Bromley Pension Fund 2012/13 Audit Plan;
- London Borough of Bromley ISA 260 Report to those charged with Governance;
- London Borough of Bromley Pension Fund ISA 260 Report to those charged with Governance;
- Audit report on the London Borough of Bromley 2012/13 Statement of Accounts, including Value for Money Conclusion;
- Audit report on the London Borough of Bromley Pension Fund 2012/13; and
- Certification Report to Management in relation to 2012/13 claims and returns.

Appendix 2: Letter of representation

Dear Sirs

Representation letter – audit of the London Borough of Bromley’s (“the Authority”) Statement of Accounts for the year ended 31 March 2013

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 2013 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 2012/13 supported by the Service Reporting Code of Practice 2012/13.

I acknowledge my responsibilities as Director of Finance 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 2012/13 supported by the Service Reporting Code of Practice 2012/13; 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 2012/13 requires adjustment or disclosure have been adjusted or disclosed.

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.
 - 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.

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 accounting policies and estimation techniques selected for use in the preparation of the 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;

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, other than those already reported to you, 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 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 we have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

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 2012/13.

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.

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

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accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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 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 2013, 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 2013 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.

It was noted that sales of pooled investment vehicles had to be reduced by £1,354,000 to reflect the annual figures reported by the investment managers. While this adjustment to sales was made, it was unclear what the related credit adjustment should be given that this would reduce change in market value but no balances in the net assets statement were readily adjustable. Management opted to amend the investment purchases figure by the same amount so that change in market value would remain constant and there would be no impact on the net assets statement. I confirm we consider this the appropriate adjustment.

Pension fund registered status

I confirm that the London Borough of Bromley 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.

Using the work of experts

I agree with the findings of Wilks, Head & Eve LLP (“WH&E”), experts in evaluating the valuation of the Authority’s property, plant and equipment and investment properties and 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.

This particularly applies to the assumptions that WH&E have used in not deducting purchaser costs from the gross capital value in their Existing Use Value or Market Value valuations, and the approach of apportioning land values using a percentage of building costs.

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 no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- The Authority confirms its intentions to dispose of assets disclosed as assets held for sale within the next twelve months.
- 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.

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.

Retirement benefits

- All significant 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 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.

Disclosures

- Where appropriate, the following have been properly recorded and adequately disclosed in the statement of accounts:
 - The identity of, and balances and transactions with, related parties.
 - Losses arising from sale and purchase commitments.
 - Agreements and options to buy back assets previously sold.
 - Assets pledged as collateral.
- I confirm that the Authority has recorded or disclosed, as appropriate, all formal or informal arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.
- I confirm that the Authority has recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and has disclosed in the statement of accounts all guarantees that we have given to third

parties, including oral guarantees made by the Authority on behalf of an affiliate, member, officer or any other third party.

Items specific to Local Government

- I confirm that the Authority does not have plans to implement any redundancy/early retirement programmes other than those disclosed in note 22 to the Statement of Accounts for which we should have made provision in the Statement of Accounts.
- I confirm that the Authority has determined a prudent amount of revenue provision for the year under the Prudential Framework.
- I confirm that the Authority has determined a proper application of the statutory provisions for the neutralisation of the impact of Single Status provisions on the General Fund balance
- I confirm that the Authority has determined a proper application of the statutory provisions for the deferral of the impact of impairment losses in relation to investments held in Icelandic Banks on the General Fund balance.
- I confirm that the Authority has determined a proper application of the statutory provisions for the treatment of leases that have changed status on transition to IFRS.

Subsequent events

Other than as described in the Statement of Accounts, 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.

As minuted by the General Purposes and Licensing Committee at its meeting on 25 September 2013.

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Director of Finance

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Date

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Chairman of the General Purposes and Licensing Committee

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Date

For and on behalf of the London Borough of Bromley



In the event that, pursuant to a request which the London Borough of Bromley has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. The London Borough of Bromley agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the London Borough of Bromley shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, the London Borough of Bromley discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for the London Borough of Bromley and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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