

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 2015 (*ISA
(UK&I) 260*)

Government
Industry Group

September 2015

Contents

<i>Executive summary</i>	1
<i>Audit approach</i>	2
<i>Significant audit and accounting matters</i>	10
<i>Internal controls</i>	19
<i>Risk of fraud</i>	23
<i>Fees update</i>	25
<hr/>	
Appendices	
<i>Appendix 1: Summary of uncorrected misstatements</i>	27
<i>Appendix 2: Letter of representation</i>	28

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.

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.

Executive summary

Background

This report tells you about the significant findings from our audit of the London Borough of Bromley (“the Authority”) and the London Borough of Bromley Pension Fund (“the Pension Fund”).

We presented our plan to the Audit Sub-Committee of the London Borough of Bromley (“the Authority”) in April 2015, which as part of its remit considers external audit and is a sub-committee of the General Purposes and Licensing Committee

We have reviewed the plan and concluded that it required amendment to reflect the audit work undertaken during our planning and interim visits. Several changes have been made to our risk assessment upon receipt of the financial statements for 2014/15 and completion of our detailed audit work. These are explained on pages 2 and 5.

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 28 September 2015.

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

- outstanding bank and investment confirmations;
- testing of inputs used for the Authority’s valuation of Property, Plant and Equipment (“PPE”);
- review of the unvalued portion of PPE;
- approval of the Statement of Accounts and letters of representation;
- completion procedures including subsequent events review; and

London Borough of Bromley

- finalising our audit file.

There are 5 key accounting issues which require those charged with governance’s attention – further details are set out commencing on page 10.

This is the final year of the Audit Commission framework contract and therefore our final year as your external auditor. On 1 April 2015, the Audit Commission ceased to exist. A novation of the original contract was signed, whereby these responsibilities have transferred to the Public Sector Audit Appointments Limited (“PSAA”). Therefore, all references to Audit Commission and PSAA in this report refer to the same body.

We remain committed to providing you with a high quality service and will work with your incoming auditors to ensure a smooth transition.


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 17 September 2015. Attending the meeting from PwC will be Katy Elstrup and Charlie Martin.

Acknowledgements

We would like to thank Pete Turner, Tracey Pearson, Pinny Borg, Martin Reeves and their team for the considerable help and assistance provided to us during the audit.

We thank the management and staff of the Authority for their co-operation and assistance during the course of our term of appointment.



We note that the first draft of the accounts provided to us at the commencement of the audit was of a good quality. The working papers supporting the audit trail from the general ledger to the accounts were also of good quality.

We were able to complete our audit work in accordance with the timetable we agreed with management, subject to the outstandings identified on the previous page. Audit queries were answered promptly.

Audit approach

Main Authority

Our audit approach was set in our audit plan which we presented to the Audit Sub-Committee in April 2015.

Since we communicated our audit plan, we have amended our audit approach for the main Authority to reflect the changes described in the table below:

Risk	Risk Level	Response to new risk/change in risk level	Reason for change
Valuation of Property, Plant and Equipment ('PPE') and Investment Properties	Original – Elevated	The response to the risk remains the same as detailed in our audit plan.	The risk was revised following discussion with the Audit Commission.
	Revised – Significant	However, due to the change in the risk, the extent of work carried out has increased in order to be able to give a higher level of assurance to address the increased risk level. Our full response to the risk is detailed on page 4.	This is due to the size of the balances relative to the rest of the balance sheet and also the judgements applied in determining the valuation of the balances.
Valuation of diversified growth funds	Original – Normal	The response to the risk remains the same as detailed in our audit plan.	We became aware during the audit work that these types of investment are now held by the Authority.
	Revised – Elevated	However, due to the change in the risk, the extent of work carried out has increased in order to be able to give a higher level of assurance to address the increased risk level. Our full response to the risk is detailed on page 5.	These assets tend to be inherently risky to value, include high estimation techniques and are subject to judgement by the fund managers when valuing the assets.

We have summarised on the next page the significant and elevated risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

Risk	Categorisation	Audit approach	Results of work performed
Risk of management override of controls	Significant	<p>As part of our assessment of your control environment we considered those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>We performed procedures to:</p> <ul style="list-style-type: none"> • review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus; • review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable (for example, pension scheme assumptions, valuation and impairment assumptions); • evaluate the business rationale underlying significant transactions outside the normal course of business; and • perform unpredictable procedures targeted on fraud risks. 	<p>We did not identify any issues to report to you as a result of our work.</p> <p>Key areas of judgement considered during our work are discussed in the section “Audit and accounting matters” on page 10.</p>

Risk	Categorisation	Audit approach	Results of work performed
Risk of fraud in revenue and expenditure recognition	Significant	<p>We perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk. These are detailed below along with the financial statement assertions:</p> <ul style="list-style-type: none"> • sales, fees and charges – cut-off and existence and occurrence; • NNDR amounts retained by the Authority – cut-off and existence and occurrence; and • non-payroll expenditure – completeness, cut-off and existence and occurrence. <p>We have:</p> <ul style="list-style-type: none"> • evaluated the accounting policies for income and expenditure recognition to ensure that these are consistent with the requirements of the Code of Practice on Local Authority Accounting; • conducted tests of detail to obtain a high level of assurance over the significant risk areas described above; • conducted test of details over accounting estimates for income and expenditure; and • obtained an understanding and evaluated the controls relevant to the significant risks described above. 	<p>We did not identify any issues to report to you as a result of our work.</p>
Valuation of Property, Plant and Equipment ('PPE') and Investment Properties	Significant	<p>We have:</p> <ul style="list-style-type: none"> • challenged how management has satisfied itself that the key assumptions driving the revaluation of PPE and Investment Properties at 31 March 2015 are appropriate for the circumstances of the Authority; • utilised our own valuation experts to review the work of the valuation experts engaged by the Authority; • tested the source data used by the valuation experts engaged by the Authority; and • challenged how management has satisfied itself that the element of PPE portfolio not subject to a formal revaluation at as 31 March 2015 is materially correct. 	<p>We noted a control recommendation which we have detailed in the section "Internal Controls" on page 19.</p> <p>Key areas of judgement considered during our work are discussed in the section "Significant audit and accounting matters" on page 10.</p>

Risk	Categorisation	Audit approach	Results of work performed
Accounting for schools assets	Elevated	<p>We have audited the Authority's approach to addressing the guidance in the LAAP 101 bulletin.</p> <p>We have checked that the Authority has obtained sufficient evidence to enable it to form a conclusion as to whether the non-current assets of individual schools should be included within its balance sheet.</p>	We did not identify any issues to report to you as a result of our work.
Valuation of diversified growth funds	Elevated	<p>We have:</p> <ul style="list-style-type: none"> • reviewed the investment portfolio to consider the extent of diversified growth funds held; and • agreed the value assigned to the diversified growth funds by the fund managers. 	We did not identify any issues to report to you as a result of our work.

Pension Fund

Our audit approach was set in our audit plan which we presented to the Audit Sub-Committee in April 2015.

Since we communicated our audit plan, we have amended our audit approach to reflect the changes described in the table below:

Risk	Risk Level	Response to new risk/change in risk level	Reason for change
Risk of fraud in revenue recognition	Original – Normal	Our full response to the risk is detailed on page 8.	Under ISA (UK&I) 240 there is a presumption that there are risks of fraud in revenue recognition.
	Revised – Significant		<p>Previously, practice note 15 as issued by the Financial Reporting Council, stated that revenue recognition is not deemed to be a significant risk on pension fund audits, as the revenue is predictable in nature.</p> <p>However, we have reassessed our approach and consider it reasonable to focus on the recognition of contributions around year-end as we consider these to represent a significant risk.</p>

We have summarised on the next page the significant and elevated risks we identified in our audit plan, the audit approach we took to address each risk and the outcome of our work.

Risk	Categorisation	Audit approach	Results of work performed
Risk of management override of controls ▶	Significant	<p>As part of our assessment of your control environment we considered those areas where management could use discretion outside of the financial controls in place to misstate the financial statements.</p> <p>We performed procedures to:</p> <ul style="list-style-type: none"> • review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; • test the appropriateness of journal entries and other year-end adjustments, targeting higher risk items such as those that affect the reported deficit/surplus; • review accounting estimates for bias and evaluate whether judgment and estimates used are reasonable (for example pension scheme assumptions, valuation and impairment assumptions); • evaluate the business rationale underlying significant transactions outside the normal course of business; and • perform unpredictable procedures targeted on fraud risks. 	We did not identify any issues to report to you as a result of our work.
Risk of fraud in revenue recognition ▶	Significant	<p>We have performed detailed testing of revenue transactions, focussing on the areas we consider to be of greatest risk. This is over contributions around year-end.</p> <p>We have:</p> <ul style="list-style-type: none"> • evaluated the accounting policies for income recognition to ensure that these are consistent with the requirements of the Code of Practice on Local Authority Accounting; • conducted tests of detail to obtain a high level of assurance over the significant risk areas described above; • conducted test of details over accounting estimates for income; and • obtained an understanding and evaluated the controls relevant to the significant risks described above. 	We did not identify any issues to report to you as a result of our work.

Risk	Categorisation	Audit approach	Results of work performed
Valuation of diversified growth funds	Elevated	We have: <ul style="list-style-type: none"> • reviewed the investment portfolio to consider the extent of diversified growth funds held; and • agreed the value assigned to the diversified growth funds by the fund managers. 	We did not identify any issues to report to you as a result of our work.

Intelligent scoping

In our audit plan presented to the Audit Sub-Committee in April 2015 we reported our planned overall materiality which we used in planning the overall audit strategy.

Our materiality varied upon receipt of the draft 2014/15 financial statements as our planned overall materiality was based upon the 2013/14 financial statements. It is confirmed that the change has not had a significant effect on our testing strategy for either the main audit or the Pension Fund.

Our original and revised materiality levels are as follows:

	Benchmark	Planned overall materiality	Final audit overall materiality	Planned clearly trivial reporting de minimis	Final audit clearly trivial reporting de minimis
		(£)	(£)	(£)	(£)
Main Authority	2% Total Expenditure	12,900,00	12,500,000	645,000	625,000
Pension Fund	2% Net Assets	12,700,00	11,875,000	500,000	500,000

Overall materiality for the main Authority audit has been set at 2% of actual expenditure for the year ended 31 March 2015.

Overall materiality for the Pension Fund audit has been set at 2% of net assets for the year ended 31 March 2015.

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 Sub-Committee at its meeting in April 2015. The Authority de minimis threshold has been revised down in line with the movement in final audit overall materiality. The Pension Fund de minimis level remains unchanged.

Significant audit and accounting matters

Accounts

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

- outstanding bank and investment confirmations;
- testing of inputs used for the Authority’s valuation of Property, Plant and Equipment (“PPE”);
- review of the unvalued portion of PPE;
- approval of the Statement of Accounts and letters of representation;
- completion procedures including subsequent events review; and
- finalising our audit file.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and the approval of these, 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 enable you to take appropriate action.

We identified five accounting issues during the course of our work that we wish to draw to your attention. These all relate to the main audit and no issues are raised here with regards to the Pension Fund.

- Medium term financial strategy;
- Depreciation of fixtures and fittings;
- Valuation of the Authority’s PPE and Investment Properties;
- Non-current assets held for sale; and
- Pension liability on the Authority’s balance sheet.

Medium term financial strategy

As we reported in the prior year and in our audit plan, the Authority has set out a financial strategy from 2015/16 to 2018/19. There is a notable “budget gap” in the financial forecast up until 2018/19 as reported to the Executive in February 2015 and detailed below:

Financial year	Cumulative budget gap (£m)
2015/16	0.0
2016/17	20.6
2017/18	40.0
2018/19	52.0

We are aware the Authority is in the process of determining actions to reduce the Authority’s medium term “budget gap”. In addition, the Authority is updating its financial strategy in light of the Summer 2015 Budget, with a view to further updating it to take into account the Spending Review when published in November 2015 and the Local Government Finance Settlement in December 2015.

However, there are still outstanding issues and areas of uncertainty remaining in closing the budget gap in 2016/17 and beyond. We have made a recommendation as part of our Value for Money duties on page 18 to management to continue to ensure actions are underway.

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 the comprehensive income and expenditure statement (“CI&E”) 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 CI&E is immaterial. The balance on the re-valuation reserve in relation to fixtures and fittings is £nil and the charge to the CI&E for spend on fixtures and fittings in 2013/14 was £0.8m which is an immaterial balance.

Valuation of PPE and Investment Properties

In the application of the Authority’s accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of PPE and Investment Properties. These estimates and associated assumptions for the carrying amounts of these balances are based upon a revaluation exercise performed at year-end.

The Authority engaged its property valuer, Wilks Head & Eve LLP (“WHE”), in 2014/15 to perform a desktop year-end valuation exercise for 20% of the Authority’s PPE and to assess the unvalued 80% of the Authority’s PPE and whether a material movement had occurred. WHE also valued the Authority’s Investment Properties.

As a result of the valuation exercise, there has been a net increase in value of £25.2m for the Authority’s Investment Properties portfolio and a net decrease of £34.7m for the Authority’s PPE.

Through consultation with PwC’s valuation experts, we have concluded that the financial information derived from the valuation performed for both PPE and Investment Properties, is within an appropriate range and would not result in a material misstatement of the Authority’s financial statements.

In addition, we are aware that the Authority uses the system “Uniform” to track and monitor the gross internal area (“GIA”) of its land and buildings. However, it became apparent that the detail on Uniform is out of date and incorrect.

Although we do not believe that this causes a material variance in the financial statements, there is a risk WHE is using inaccurate information when valuing the sites for the financial statements. We have noted a control recommendation with regards to this area which we have detailed in the section “Internal Controls” on page 20.

Non-current assets held for sale

During the 2013/14 financial year, assets were classified as held for sale on the Balance Sheet, as the Authority believed that the carrying amount would be recovered principally through a sale transaction rather than through continuing use in the following 12 months after the balance sheet date. During our prior year audit, we agreed that the assets met the conditions of IFRS 5 to recognise the asset as “held for sale”.

However, several of those assets remain unsold and are still classified as an asset held for sale in the 2014/15 financial statements. Under IFRS 5, assets should only be classified as held for sale if the Authority expects to sell the assets within 12 months.

We have confirmed that the Authority continues to actively market these assets and is confident of a sale occurring within 12 months.

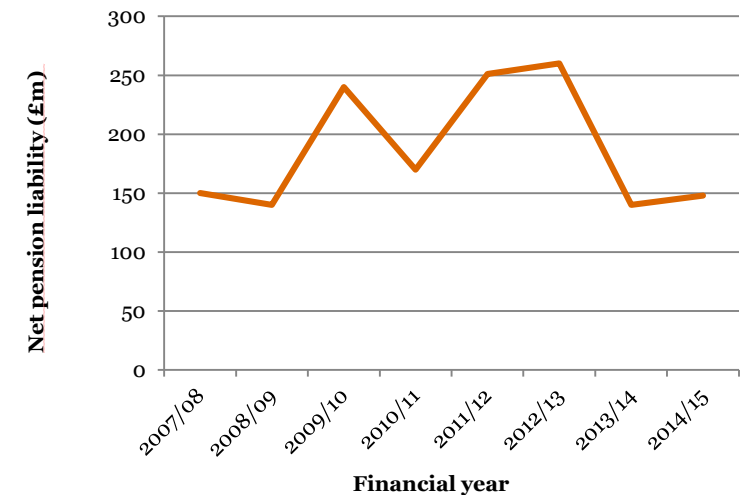
We have included a specific representation in our management representation letter to state that management is actively marketing these properties and expects them to be disposed of in the next 12 months. If the Authority is not intending to dispose of this asset, it should transfer it back to the relevant property, plant and equipment classifications.

Pensions liability on the Authority's balance sheet

The most significant estimate in the Statement of Accounts is in the valuation of net pension liabilities for employees in the London Borough of Bromley Pension Fund. Your net pension liability at 31 March 2015 was £148m (2013/14: £140m). This increase was mainly due to interest on liabilities being higher than interest on assets.

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 2014/15



We utilised the work of actuarial experts to assess the assumptions underlying the pension liability and we are comfortable that the assumptions are within an acceptable range.

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

Lastly, we audited the value of the pension scheme assets with no issues noted.

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 pleased to say that there are no uncorrected misstatements above our agreed reporting level to report for either the main accounts or the Pension Fund.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask the GP&L 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.

We have reviewed the appropriateness and application of accounting policies in the Statement of Accounts, with no issues noted.

Judgements 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:

Continuing operations – There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities or for discontinued operations as it reduces levels of service provision. We have considered this as part of our value for money work.

Valuation of Property, Plant and Equipment - The Authority re-valued 20% of its land and buildings in 2014/15 in line with its accounting policy. The valuation was performed by WHE 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 and have agreed those used to be within a reasonable range.

Valuation of Investment Properties - During the year, the Authority revalued £62.3m of its investment property portfolio and then assessed the remaining £9.3m of un-revalued properties to confirm whether there was a need to perform a revaluation (on the basis that the balance would not have moved materially from the previous valuation). The valuation was performed by WHE 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 and have agreed those used to be within a reasonable range.

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 2015. 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 within a reasonable range.

Recoverability of investment in Heritable Bank - The Authority had £5.087 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. As recovery estimates have improved, part-reversals of this impairment have subsequently been recognised. Since 2008/09, £4.783m of the investment has been recovered. The remaining outstanding balance is £0.3m. The Authority holds a provision of the remaining £0.3m calculated based on current CIPFA guidance.

Management representations

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

In particular, we require representation that the Authority has met the conditions attached to those assets classified as held for sale.

Financial standing

We have not identified any material uncertainties related to events and conditions that may cast significant doubt on the entity's financial standing.

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.

We performed detailed testing over related parties including a public record search of Directors and Members (including those leaving office during the year) to identify any additional relationships by comparing related entities to supplier and customer listings.

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 not aware of any relationships between PwC and the Authority that in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

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 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.

Support provided by PwC	Value (£)	Threats to independence and safeguards in place
Certification of claims and returns Our procedures will consist of certifying the 2014/15 Housing Benefit Subsidy Claim in accordance with the certified instructions issued by the Audit Commission.	20,230	Self-Review Threat: The audit team will conduct the grant certification and this has arisen due to our appointment as external auditors. 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 Authority. 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.

Teachers' Pension Review 8,750

Work outside the scope of the Audit Commission Code of Audit Practice – procedures on the 2014/15 Teachers' Pensions return.

Self Interest Threat: Fees are not material in relation to the audit fees and PwC's total income.

Self-review Threat: This does not arise as the work we undertook provided reasonable assurance over the accuracy of the teachers' pension return for and will not be relied upon by the PwC audit team as part of the audit of the main accounts.

Management Threat: PwC is not required to take any decisions on behalf of management as part of this work.

Advocacy Threat: This does not arise as the work will be limited to the testing of information provided by the client and does not result in advocacy. PwC are carrying out reasonable assurance procedures and not providing assurance or advocacy on behalf of the client.

Familiarity Threat: This does not arise as a separate team from the audit team is being used to carry out this work.

Intimidation Threat: We have concluded that this work does not pose an intimidation threat.

At the date of this report we confirm that in our professional judgement, we are independent accountants with respect to the Authority, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2015 is included on page 25. 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 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 GP&L 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.

However, we have identified the following matter which we wish to bring to your attention

- The Authority will need to ensure actions are underway to resolve the “budget gap” as identified by its medium term financial strategy up until 2018/19.

Other reporting requirements

In auditing the accounts of a Local Authority, the auditors must consider:

- Whether we need to report on any questions or objections made to us as auditors.

We have been considering three objections in relation to the 2012/13 and 2013/14 financial statements.

This resulted in our 2012/13 and 2013/14 audits not being able to formally conclude and a certificate issued in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

We will provide a verbal update to members of the GP&L as to the status of the work over the objections, explaining that the 2014/15 certificate will remain open as a result until such time where these objections are resolved.

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.

Summary of control recommendations – Main Authority

Deficiency	Recommendation	Management's response
<p>Bank mandate</p> <p>When reviewing the Authority's bank mandate, we noted one individual who is no longer at the Authority was listed as able to authorise BACS payments by phone.</p> <p>Management were aware of this point at the time of our audit and had begun the process of updating the bank mandate.</p>	<p>We recommend that the mandate is amended appropriately and is reviewed regularly in future and when relevant personnel leave to ensure signatories remain valid.</p>	<p>Agreed. Bank mandate amended and re-signed by all authorised staff.</p> <p>Target date – Completed in August 2015</p> <p>Person responsible – Principal Accountant</p>
<p>Timeliness of staff submitted overtime</p> <p>Eligible staff members are required to complete overtime submissions to be processed for payroll.</p> <p>Through our work on key payroll controls, we found one instance where a claim relating to January 2014 was not submitted until April 2014. We are comfortable with the appropriateness of the claim itself.</p> <p>However, the delay in the claim being submitted increases the risk that costs are not being fully recognised in the correct year.</p>	<p>We recommend that management should review the existing process in place and emphasise the need to officers for these submissions to be done on a timely fashion, especially in the run up to year-end.</p>	<p>Agreed, Head of Pay and Reward to issue a reminder to staff and managers.</p> <p>Target date – September 2015</p> <p>Person responsible – Head of Pay and Reward</p>
<p>Gross Internal Area and Use of Uniform</p> <p>As part of the audit of the Authority's valuation of its PPE, we validated the inputs used by WHE as part of their valuation of 20% of the Authority's land and buildings 2014/15. The Authority</p>	<p>We recommend that firstly the Authority liaises with the WHE to ensure that they have the most up to date square footage of its land and buildings.</p>	<p>1) Strategic Property did not provide access to its Uniform data base with the intention of providing GIA information. Access was supplied to provide lease information. The valuer appointed to undertake the asset</p>

provides WHE with the detailed Gross Internal Area (“GIA”) data for each site, per their estates team, and WHE use this information as part of their valuation.

Firstly, we are aware that the Authority uses the system “Uniform” to track and monitor the gross internal area of its land and buildings. However, it became apparent that the detail on Uniform is out of date and incorrect.

We therefore sought the original documentation that supported the GIA for each site. On comparison of the GIA data provided by the Authority, and the figures used in the WHE reports, we identified multiple differences. We performed an assessment of the likely magnitude these differences by calculating a £ / sq m figure for each asset and then multiplying by the difference.

Although we do not believe that this causes a material variance in the accounts, there is a risk WHE is using inaccurate information when valuing the sites for the financial statements.

Secondly, we recommend the Authority undertake an exercise to update the detail held on Uniform to ensure it is fully up to date, and kept up to date thereafter.

valuations should inspect and check the floor areas themselves (in accordance with the Valuation Brief).

2) The GIAs provided by the valuers undertaking the asset valuations will be checked against the Uniform records and reconciled. This should be referenced to a dated plan.

The reconciliation of the floor areas for the 2014/15 valuations where GIAs were used will be undertaken in September 2015. On receipt of the valuations carried out on the five year rolling programme this work will be undertaken.

We do not consider of benefit and is not cost effective to re-measure all properties and update the records in one tranche. The GIAs are only used for asset valuation purposes for operational properties and are not used for the asset valuation of most investment properties.

Person responsible – Head of Strategic Property

Summary of control recommendations – Pension Fund

Deficiency	Recommendation	Management's response
<p>Use of Pension Fund bank account</p> <p>The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 required that all pension schemes have their own bank account effective 1 April 2011.</p> <p>Specifically the regulations state the following:</p> <p><i>“On and after 1st April 2011, an administering authority must hold in a separate account kept by it with a deposit-taker in accordance with this regulation—</i></p> <p><i>(a) all monies held by the authority on that date; and</i></p> <p><i>(b) all monies received by it on or after that date for the purpose of its pension fund.”</i></p> <p>Although a separate bank account has been set up for the Fund, it is not being used.</p> <p>As a result, the Fund is not fully compliant with the requirements of the legislation.</p> <p>This is a point consistent with the prior year. We are aware management continue to monitor this and consider the case for fully using its pension fund bank account.</p> <p>It should be noted that, since 1 April 2015, the Pensions Regulator now has an oversight role in relation to scheme administration and governance. As such, the Fund may be subject to increased levels of external scrutiny in future.</p>	<p>We understand from speaking with management that a cost / benefit analysis was undertaken during the year to determine if it would be effective to use the Pension Fund bank account as required. It was decided that such arrangement would be not be efficient or economical.</p> <p>We recommend that the Authority continue to assess the rationale for not using the bank account of the fund. This is because technically such an account should be as per the cited regulations.</p>	<p>A cost/benefit analysis was carried out during 2013/14 and it was reviewed during the 2014/15 closedown. It remains the view of management that there is little to be gained from using a separate Pension Fund bank account. Management are satisfied that our robust coding structure sufficiently separates out the pensions transactions in an effective manner. This will continue to be reviewed.</p> <p>Target date – Ongoing</p> <p>Person responsible – Principal Accountant</p>
<p>Pensions joiners to the pension scheme administration system</p> <p>When an officer joins the Authority, they are automatically enrolled in the Pension Fund. The officer should then have a record created on “Altair”, the Pension Fund's scheme administration system. This system is used by the actuary to provide source data for use in their triennial revaluations and is used to calculate the benefits due to members when they retire.</p> <p>Weekly reports are run from the payroll and HR system, ResourceLink to identify new members of officers and sent to the Pension Fund's</p>	<p>We recommend that the criteria used to create the ResourceLink reports sent to the Pension Fund's Administration team are updated to reflect the issues identified through our testing.</p>	<p>We have implemented a process that should mitigate any risk to the Pension Scheme associated with new starters.</p> <p>However, the case identified by the auditor was prior to the improvement being installed.</p> <p>Target date – Completed</p> <p>Person responsible – Payroll and Pension Service Delivery Manager</p>

administration team to enable them to update Altair.

Our testing identified one new officer to the Authority, who did not have an Altair record set up. Upon investigation, this was as a result of the reports not identifying all new officers. The officer started at the Authority in April 2014.

This means the Pension Fund administration data may not be up to date.

Statement of Investment Principles (“SIP”) - investment manager cash

As part of our audit, we consider whether the Pension Fund is compliant with its Statement of Investment Principles.

We found that the scheme did not comply with the requirement that only £2.5m may be held in cash at the custodian, Bank of New York Mellon (“BNYM”). This was because Baille Gifford managed cash worth £882k and MFS cash worth £3,019k which were deposit at BNYM at 31 March 2015.

MFS held in excess of £2.5m as a result of a number of purchases being made before year-end which were to be settled just after year-end and as such cash was held at BNYM until the transactions settled in April 2015.

Therefore, this was technically not in compliance with the Pension Fund’s Statement of Investment Principles. However, management consider that this limit corresponds to £2.5m per investment manager rather than in total.

The Pensions Investments Sub-Committee should consider whether it agrees that the requirement applies to each investment manager individually and thus whether the Statement of Investment Principles should be updated appropriately.

Investment Managers should be reminded of the limit on the level of cash which may be held with BNYM at any one time.

Fund managers will be reminded of the need to keep their cash holdings below £2.5m.

Target date – 30 September 2015

Person responsible – Principal Accountant

SIP will be updated and reported for approval to the Pensions Investment Sub-Committee in September 2015.

Target date – 23 September 2015

Person responsible – Principal Accountant

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 GP&L

Your responsibility as part of your governance role is:

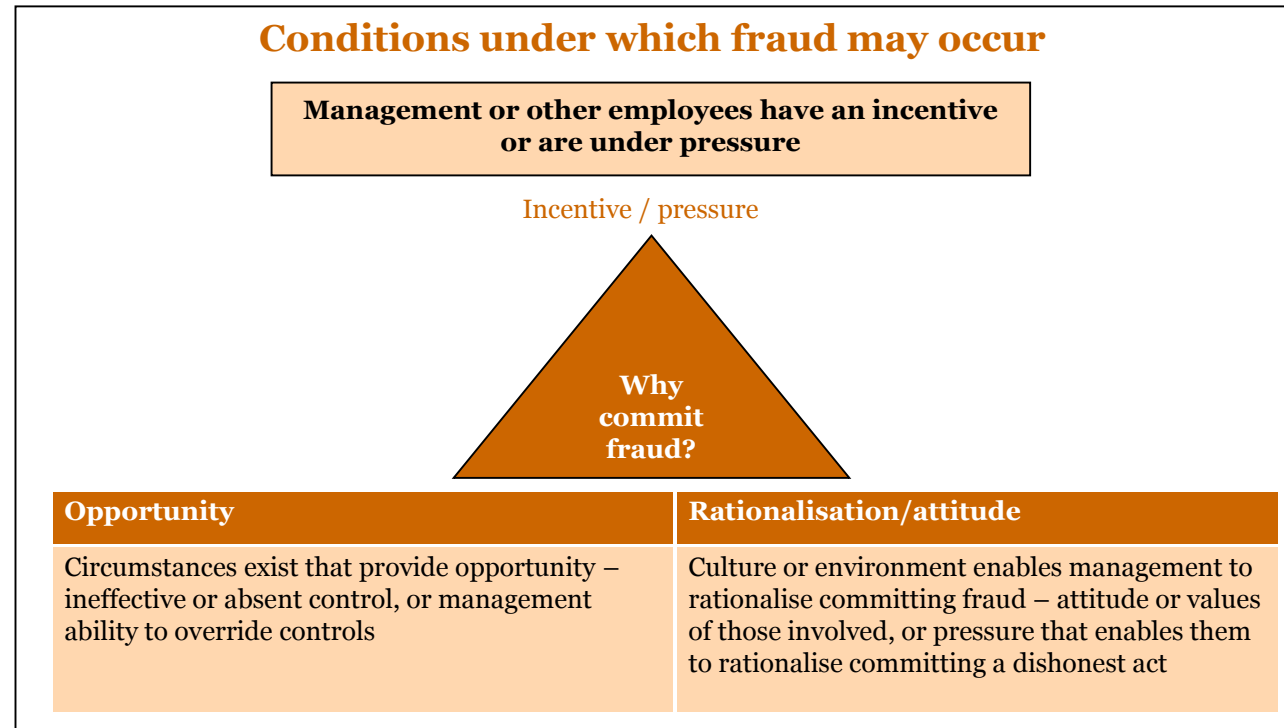
- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to investigate any alleged or suspected instances of fraud brought to your attention.

Your views on fraud

In our audit plan presented to the Audit Sub-Committee in April 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.



Fees update

Fees update for 2014/15

We reported our fee proposals in our audit plan in April 2015.

Our actual fees were in line with our proposals.

Our fees to be charged are therefore:

	2014/15 outturn (£)	2014/15 fee proposal (£)
Audit work performed under the Code of Audit Practice	160,718 *	160,718
- Statement of Accounts		
- Conclusion on the ability of the organisation to secure proper arrangements for the economy, efficiency and effectiveness in its use of resources		
- Whole of Government Accounts		
Pension Fund	21,000	21,000
Certification of Claims and Returns	20,230	20,230
Total	201,948	201,948

* The indicative scale fee includes an additional element of £1,950 for the additional work required to gain assurance over the material benefit balances in the Authority's financial statements. This fee variations proposed is subject to receiving agreement from the Audit Commission.

We planned to perform Teacher's Pension work which fell outside of the Code of Audit Practice requirements. Our proposed fee for that work is £8,750, with the work expected to commence in October 2015.

Our fee for certification of grants and claims is yet to be finalised for 2014/15 as our work is ongoing at the time of writing this report. It will be reported to the Audit Sub-Committee in March 2016 within the Certification Report to Management in relation to 2014/15 grants.

The work relating to the elector's objections to the 2012/13 and 2013/14 financial statements is ongoing and therefore the fee for this is not finalised. At the time of presenting this report, the total cost to date for this work is £39,000. We will provide a verbal update to members on the matter, addressing any questions you may have on the work ongoing as well as the costs incurred to date.

Appendices

Appendix 1: Summary of uncorrected misstatements

Main Authority Audit

Uncorrected misstatements

We are pleased to report that we do not have any misstatements which remain unadjusted.

Uncorrected disclosure adjustments

At the time of writing this report, we have yet to perform our final quality review of the final version of the financial statements. We are happy to provide a verbal update to members.

Pension Fund Audit

Uncorrected misstatements

We are pleased to report that we do not have any misstatements which remain unadjusted.

Uncorrected disclosure adjustments

At the time of writing this report, we have yet to perform our final quality review of the final version of the financial statements. We are happy to provide a verbal update to members.

Appendix 2: Letter of representation

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6NN

Dear Sirs

Representation letter – audit of the London Borough of Bromley’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 surplus 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 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.

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 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 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 material 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.

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.

Using the work of experts

I agree with the findings of Wilks, Head & Eve LLP ("WH&E"), experts in evaluating the valuation of investment property and property, plant and equipment, Mercers LLP, experts in evaluating the net pensions liability and Inform CPI Ltd, experts in evaluating the outcomes of National Non-domestic Rates appeals. 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.

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 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.

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.

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.

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.

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.
- I confirm our intention to dispose of assets disclosed as assets held for sale within the next 12 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.

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 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 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.

I confirm that the Authority has determined a proper application of the statutory provisions for the neutralisation of the impact of accumulating compensated absences on the General Fund balance.

As minuted by the General Purposes and Licensing Committee at its meeting on 17 September 2015.

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Director of Finance

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Date

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Chairman of the General Purposes and Licensing Committee

.....

Date

Appendix 1 – Related parties and related party transactions

The following related parties were identified during the audit. They are split by those that relate to the London Borough of Bromley and the London Borough of Bromley Pension Fund.

London Borough of Bromley

Related parties

Age Concern, Penge and Anerley	Hillside School
Alexandra Junior School	Kent Refurbishment Ltd
Association of the British Pharmaceutical Industry Regulatory Committee	Liberata
Bank on Business Export Biggin Hill Airport	London Oil & Gas Limited
Beckenham Conservative Association	Morgans Chartered Surveyors of London and Bromley
Bromley and Chislehurst Conservative Association	Old Dunstonian Association
Bromley and Downham Youth Club	Operational Assurance Ltd
Bromley and Sheppard's Colleges	Orpington Conservative Association
Bromley Arts Council	P.D. Cicoria Limited
Bromley College of Further and Higher Education	Parkmore Management Company Limited
Bromley Community Fund	Penge Churches Housing Association
Bromley Healthcare Community Interest Company	Phillips and Lubbock Foundations
Bromley Town Team	Princes Plain Primary School
Bromley Youth Music Trust	Quality Mind Limited
Bromley Youth Trust	Reddin Associates Limited
Broomleigh Housing Association (Affinity Homes Group)	Russell Mellor & Co. Ltd
Business Expo Ltd	Sanderson Hall
CarePlus	Shortlands Ward Conservative Committee
Cartwright Brothers Vintners Limited	Sports & Fitness (UK) Limited
Castlecombe Primary School	Sports & Fitness Insurance Services (UK) Limited
Catholic Union	St Mark's C.E. Primary School
Charles Darwin Academy trust	St Mary's Shortlands Parish Church Council
Chislehurst Golf Club	Talismard Properties Limited
Darrick Wood Infant School	The Alexius Press Limited
Dkc Technologies Limited	The East India Devonshire Sports and Public Schools Club Limited
Drunken Dairy	The London Mayors' Association
EISAI Europe Ltd	Thomas Stringer Charity

European Federation of Pharmaceutical Industries and Associations	Transport for London
Friends of St Mary's Church, Downe	Typing Overload Ltd
GL Hearn	Valley Primary School
Good Governance Foundation Cic	Zip Mail Limited
Greater London South East Scout Council	Zip Post Limited
Green Street Green Primary School	

Other (as per Note 38 to the Main Authority financial statements)

Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from UK government departments are set out in the subjective analysis in note 30 on reporting for resource allocation decisions. Grant receipts outstanding at 31st March 2015 are shown in Note 37.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2014/15 is shown in Note 32. During 2014/15, there are no declarable related party transactions with the exception of the following:-

- a) Councillor W. Huntington-Thresher and Councillor P. Fortune are appointed board members of Broomleigh Housing Association (Affinity Homes Group) to which the Council paid £175k in 2014/15.
- b) Councillor K. Lymer is a Trustee of Bromley Youth Music Trust to which the Council paid £291k in 2014/15.
- c) Councillor M. Turner is a Trustee of Bromley & Downham Youth Club to which the Council paid £10k in 2014/15.
- d) Councillor D. Smith is a Council appointed board member of Bromley Healthcare Community Interest Company to which the Council paid £3.5m in 2014/15.
- e) Councillor P. Fookes is a Trustee of Age Concern, Penge and Anerley to which the Council paid £146k in 2014/15.
- f) Councillor Mrs E. Harmer is a Trustee of CarePlus, Bromley to which the Council paid £2.5k in 2014/15.

Officers

During 2014/15 £9.2m was paid to Liberata in payment for services in relation to the Council's exchequer contract. Liberata employs two family members of the Director of Finance, neither in a role that is specifically related to the Bromley contract.

Other Public Bodies

The Authority has a pooled budget arrangement with Bromley Clinical Commissioning Group for the provision of Integrated Stores. There is a further pooled budget arrangement with Oxleas NHS Foundation Trust for the provision of mental health functions. Transactions relating to these arrangements are detailed in Note 31.

Pension Fund

During the financial year, the average monthly cash balance of the Pension Fund was slightly positive and, as a result, interest of £6,862 was paid to the Fund (nil was paid in 2013/14). In 2014/15, £533k was charged to the Fund for expenses incurred in administering the Fund (£418k in 2013/14).

London Borough of Bromley Pension Fund

In addition, the following organisations are part of the London Borough of Bromley Pension Fund (as well as the London Borough of Bromley):

Primary School Academies

Alexandra Infants	Leesons Primary
Alexandra Junior	Manor Oak Primary
Balgowan Primary	Midfield Primary
Biggin Hill Primary	Parish Primary
Bromley Trust	Perry Hall Primary
Castlecombe Primary	Pickhurst Infants
Chislehurst CE Primary	Pickhurst Junior
Crofton Infants	Princes Plain Primary
Crofton Junior	Raglan Primary
Darrick Wood Infants	Scotts Park Primary
Farnborough Primary	Stewart Fleming Primary
Grays Farm Primary	St. James RC Primary
Green Street Green Primary	St John's CE Primary
Harris Aspire	St Joseph's RC Primary
Harris Crystal Palace	St Mark's CE Primary
Harris Kent House	St Mary Cray Primary
Harris Shortlands	St Mary's RC Primary
Hayes Primary	St Peter & St Paul Primary
Highfield Infants	St Philomena's RC Primary
Highfield Junior	St Vincent's RC Primary
Hillside Primary	Tubbenden Primary
Keston CE Primary	Valley Primary
La Fontaine	Warren Road Primary

Foundation Schools

Holy Innocents RC Primary	The Glebe
St Olave's & St Saviour's	

Secondary School Academies

Beaverwood	Hayes
Bishop Justus CE	Kemnal
Bullers Wood	Langley Park Boys
Charles Darwin	Langley Park Girls
Coopers	Newstead Wood
Darrick Wood	Ravens Wood
Harris Beckenham	The Priory
Harris Bromley	The Ravensbourne

Scheduled Bodies – Other

Bromley & Orpington Colleges	Ravensbourne College
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Admitted Bodies

Affinity Sutton	Bromley Mytime
Bromley & Lewisham MIND	Liberata UK

Other (as per Note 14 to the Pension Fund financial statements)

Four members of the Pensions Investment Sub-Committee during the year were active members of the scheme (prior to the local elections in May 2014) and two were in receipt of a pension during the year. A special responsibility allowance of £1,971 was paid to the Chairman of the Sub-

Committee in both 2013/14 and 2014/15. No other payments were made for meeting attendance.

The Council incurred costs of £534k (£418k in 2013/14) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

Two key management personnel of the Fund (the Director of Corporate Services and the Director of Finance) are active members of the Fund.



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