



## Financial Services

Civic Centre, Stockwell Close, Bromley BR1 3UH

Telephone: 0208 464 3333

Direct Line: 0208 313 4338

Email: [peter.turner@bromley.gov.uk](mailto:peter.turner@bromley.gov.uk)

Fax: 020 8313 4335

Internet: [www.bromley.gov.uk](http://www.bromley.gov.uk)

### PricewaterhouseCoopers LLP

1 Embankment Place  
London  
WC2N 6NN

17<sup>th</sup> September 2015

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.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the Statement of Accounts as a whole. A list of the uncorrected misstatements, grouped by category, is detailed below:

#### **Disclosures:**

- Disclosure of benefits payable analysed between the administering authority (London Borough of Bromley), scheduled bodies and admitted bodies.
- Disclosures to enable users to quantify the fund's exposure to credit risk and market risk. Specifically, information about the credit quality of financial assets held which are neither past due or impaired, and, for each of currency risk, interest rate risk and other price risk, a

sensitivity analysis to demonstrate the impact on the Fund Account and Net Asset Statement of changes in the relevant risk variable that were considered reasonably possible at the 31 March 2015.

### ***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.



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

- 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.

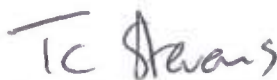


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Director of Finance

17/09/15

.....  
Date



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Chairman of the General Purposes and Licensing Committee

17/9/2015

.....  
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)*



*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.

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

