

# *London Councils*

## *Report to those charged with governance*

Report to the Audit Committee on the audit for the year ended 31 March 2015 (*ISA (UK&I) 260*)

PwC Government  
Industry Group

September 2015

# Contents

<b>Executive summary</b>	<b>1</b>
<b>Audit approach</b>	<b>3</b>
<b>Significant audit and accounting matters</b>	<b>8</b>
<b>Internal controls</b>	<b>14</b>
<b>Risk of fraud</b>	<b>15</b>
<b>Fees update</b>	<b>17</b>
<b>Appendices</b>	<b>18</b>
<b>Appendix 1: Summary of uncorrected misstatements</b>	<b>19</b>
<b>Appendix 2: Letter of representation</b>	<b>20</b>

## **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 London Councils (“the Committee”).

We presented our plan to the Audit Committee in March 2015, which as part of its remit considers external audit. We reviewed the plan following our interim visit and concluded that it required amendment to reflect a change in our risk assessment. This explained further on page 3.

### **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 by 30 September 2015.

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

- related party transactions;
- approval of the statement of accounts and letters of representation;
- officers emoluments;
- pension fund disclosures and assets;
- cashflow forecast;
- receipt of legal letter;
- completion procedures including subsequent events review;
- subsequent events work and finalisation of audit work; and
- review of the final draft of the statement of accounts.

We will provide a verbal update to the Audit Committee on these matters.

We have provided details on the key accounting issues which we consider require the attention of those charged with governance – further details are set out starting on page 9.

On 1 April 2015, the Audit Commission ceased to exist. A novation of the original contract was signed, whereby the Commission’s responsibilities have transferred to Public Sector Audit Appointments Limited (“PSAA”). Therefore, all references to Audit Commission and PSAA in this report refer to the same body.

This is the final year of the Audit Commission framework contract, and therefore, our final year as your external auditor. However, 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 PSAA in accordance with the requirements of its standing guidance.

We look forward to discussing our report with you on 24 September 2015. Attending the meeting from PwC will be Ciaran McLaughlin.

### **Acknowledgements**

We would like to thank Frank Smith, David Sanni and the whole finance team for the considerable help and assistance provided to us during the audit.

We also thank the management and staff of the Committee 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

## Item 9 - Annual Audit Report

working papers supporting the audit trail from the general ledger to the accounts were also of good quality.

We worked with management to deliver the audit in accordance with the timetable we agreed with management. Audit queries were answered promptly.

# Audit approach

## Accounts Approach

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

Since we communicated our audit plan, we have amended our audit approach for the Committee's accounts audit to reflect the changes described in the table below:

Risk	Risk Level	Response to new risk/change in risk level	Reason for change
<b>Pensions Collective Investment Vehicle</b> In February 2014 London Councils' Leaders Committee agreed to the establishment of a collective investment vehicle (CIV) in the form of an authorised contractual scheme (ACS) for London local authority pension schemes. The structure of this scheme involves the establishment of a new sectoral Joint Committee and a private company limited by shares that will be the ACS operator. We understand that progress has been made with these issues during 2014/15 and that stand alone accounts for the new sectoral joint committee will require audit as at 31 March 2015.	Original – Significant Revised - Normal	Consider the development of the Pensions CIV during 2014/15 and ensure that any expenditure in relation to it is appropriately accounted for.  Consider the need for the ACS Company's accounts to be consolidated into the CIV Joint Committee's accounts and ultimately the London Councils Consolidated Accounts.	The CIV, although established in 2014/15 did not result in any significant income of expenditure for London Councils. Management therefore decided that instead of producing separate CIV accounts for 2014/15 that the immaterial expenditure would be reflected in the London Councils Joint Committee accounts.  The ACS was not operational during 2014/15 and had no income or expenditure in the year and no assets. As a result there was not requirement to consider the consolidation of the ACS in 2014/15.

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	Risk level	Audit approach	Results of work performed
<p>Management override of controls</p> <p>ISA (UK&amp;I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls. Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.</p>	<p>Significant ●</p>	<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:</p> <ul style="list-style-type: none"> <li>• Tested the appropriateness of journal entries and other adjustments to the general ledger.</li> <li>• Tested accounting judgements that affect the General Fund for bias, such as bad debts, accruals and provisions.</li> <li>• Considered if there have been significant transactions outside the normal course of business, and if there have, whether their rationale suggests fraudulent financial reporting or asset misappropriation.</li> <li>• Tested that expenditure has been recorded in the correct financial year.</li> <li>• Considered whether any segregation of duties weaknesses give rise to a significant risk of material misstatement.</li> <li>• Tested that the reversal of items debited or credited to the Comprehensive Income and Expenditure Statement are in accordance with statute.</li> <li>• Reviewed the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; and</li> <li>• Performed unpredictable procedures targeted on fraud risks.</li> </ul> <p>We also understood and evaluated controls relevant to management override risks identified above.</p> <p>We performed unpredictable audit procedures as well.</p>	<p>There are no matters to bring to your attention.</p>

Risk	Risk level	Audit approach	Results of work performed
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumption that there are risks of fraud in revenue recognition.</p> <p>We extend this presumption to the recognition of expenditure in local government.</p>	<p>Significant ●</p>	<p>We obtained an understanding of revenue and expenditure controls.</p> <p>We evaluated and tested the accounting policies for income and expenditure recognition to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p>We also performed detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</p> <p>We reviewed accounting estimates relating to the recognition of income and expenditure (for example deferred income and accruals).</p> <p>In respect of revenue, we focused on revenue streams other than Borough subscription fees and rental income as these revenue streams are predictable in nature.</p> <p>In respect of expenditure, we focused on expenditure streams other than highly predictable expenses such as payroll costs, property rental, business rates and European Social Fund grant expenditure.</p>	<p>We identified that two licence fee expenses selected as part of our sample were incorrectly treated. These expenses related to both the 2014/15 and 2015/16 accounting periods, but in both instances the whole expense was wholly recognised in 2014/15. We discussed this with Management who reviewed the whole balance and provided us with a new population to test. We then selected our sample from the new population and tested this, with no further issues noted.</p> <p>We also identified some European Social Fund (ESF) claim payments which related to Q4 of 2014/15 but which are not included in the financial statements as liabilities. Management explained that this is because the claims were received after 31 March 2015 and the policy of London Councils is to only account for ESF claims once the claim is received. This is because the claims coming in are very unpredictable and difficult to estimate. This is consistent with previous periods.</p> <p>Having considered these issues we are satisfied that the relevant revenue and expenditure balances are not materially misstated.</p>

Risk	Risk level	Audit approach	Results of work performed
<p><b>Pensions Collective Investment Vehicle</b></p> <p>In February 2014 London Councils' Leaders Committee agreed to the establishment of a collective investment vehicle (CIV) in the form of an authorised contractual scheme (ACS) for London local authority pension schemes. The structure of this scheme involves the establishment of a new sectoral Joint Committee and a private company limited by shares that will be the ACS operator. We understand that progress has been made with these issues during 2014/15 and that stand alone accounts for the new sectoral joint committee will require audit as at 31 March 2015.</p>	<p>Normal</p>	<p>We have:</p> <p>Considered the development of the Pensions CIV during 2014/15 and ensure that any expenditure in relation to it is appropriately accounted for.</p> <p>Considered the need for the ACS Company's accounts to be consolidated into the CIV Joint Committee's accounts and ultimately the London Councils Consolidated Accounts.</p>	<p>There are no matters arising from our work for 2014/15.</p>



### *Intelligent scoping*

In our audit plan presented to the Audit Committee in February 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. The change did not have a significant effect on our testing strategy for the Committee.

Our original and revised materiality levels are as follows:

	Benchmark	Planned overall materiality (£)	Final overall materiality (£)	Planned 'clearly trivial' reporting de minimis (£)	Final 'clearly trivial' reporting de minimis (£)
<b>Joint Committee</b>	2% Total Expenditure	1,418,000	<b>1,480,000</b>	70,900	<b>74,000</b>

Overall materiality for the Committee audit has been set at 2% of actual expenditure for the year ended 31 March 2015. In addition we apply separate materiality figures for each of the individual financial statements based on actual expenditure for the year.

	Benchmark	Final overall materiality (£)	Final 'clearly trivial' reporting de minimis (£)
<b>London Councils Core</b>	2% Total Expenditure	<b>251,360</b>	<b>12,568</b>
<b>Grants Committee</b>	2% Total Expenditure	<b>221,140</b>	<b>11,057</b>
<b>Transport and Environment Committee</b>	2% Total Expenditure	<b>986,200</b>	<b>49,310</b>
<b>London Councils Ltd</b>	2% Total Expenditure	<b>34,500</b>	<b>1,700</b>

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 Committee at its meeting in February 2015. The Committee de minimis levels remain unchanged.

## *Significant audit and accounting matters*

### *Accounts*

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

- related party transactions;
- approval of the statement of accounts and letters of representation;
- officers emoluments;
- pension fund disclosures and assets;
- cashflow forecast;
- receipt of legal letter;
- completion procedures including subsequent events review;
- subsequent events work and finalisation of audit work; and
- review of the final draft of the statement of accounts.

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.

### *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.

There are no matters arising from our work which we need to bring to your attention at this time. We will provide the Audit Committee with a verbal update at its meeting on 24 September should our outstanding work identify any such matters.

### *Prior period adjustments*

The Committee has made a prior period adjustment in the consolidated statement of accounts. The adjustment is described in Note 24 to the accounts.

The adjustment relates to recognition of the Chief Executive's 2013/14 bonus which was awarded in October 2014. It should be noted that as at the date of this report no determination had been made on the Chief Executive's bonus for 2014/15 so there is no comparative figure for 2014/15.

### *VfM conclusion – Medium term financial forecast*

The Committee has set out a financial forecast from 2015/16 to 2017/18 in its budget report presented to the Leaders Committee in December 2014. The forecasts show deficits of £20k and £139k in 2016/17 and 2017/18

We are aware the Committee currently in the initial stages of the formal budget round for 2016/17 and as part of that will agree the overall budget strategy for the year with Members, including the process of determining actions to address these deficits. We understand this will take into account the Spending Review when published in November 2015 and the Local Government Finance Settlement in December 2015.

We have considered the assumptions made by management in producing the financial forecasts which are:

- the continued requirement to deliver value in borough contributions over the next two years;
- the Freedom Pass costs increasing by 2.0% over the period;
- the TfL element of the taxicard contract is assumed to increase by 1.5%;

- the London Councils borough funded commission remains at £8m per annum for these years, with a similar level borough contributions, plus a further £2m for ESF match funding commissions for these years;
- a 1% increase in salaries and zero on discretionary expenditure budget heads;
- contractually committed expenditure to increase by CPI, 1.3% as at October 2014;
- a zero increase in all other income budget heads; and no planned increase in the use of reserves from the current level, excluding any one-off payments to boroughs.

It is important that these assumptions are kept under review by Management and Members and that any additional actions required as a result of changes to them are identified and implemented.

### *Misstatements and significant audit adjustments*

We have found no uncorrected misstatements during our audit that we need to tell you about, other than a very small number which are clearly trivial.

### *Significant accounting principles and policies*

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts. We will ask management 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 Committee 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 Committee has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Committee 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 and have no matters to raise with you.

**Valuation of Pensions Liability** - The Committee engaged the actuary Barnett Waddingham LLP 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. Our work on the Pension Fund assets is still in progress and we will give the Committee a verbal update at its meeting on the 24<sup>th</sup> September.

### *Management representations*

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

### *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.

Our work on related parties is still in progress and we will give the Committee a verbal update at its meeting on the 24<sup>th</sup> September.

## 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 Committee that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

### Relationships between PwC and the Committee

We are not aware of any relationships between PwC and the Committee 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 Committee or investments in the Committee held by individuals.

### Employment of PricewaterhouseCoopers staff by the Committee

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Committee 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 Committee.

## Services provided to the Committee

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.

We confirm that other than the work in respect of the objection to the 2012/13 accounts, which was completed in July 2105 and our ongoing work on a potential objection to both the 2013/14 and 2014/15 accounts we have not undertaken other work for the Committee:

Support provided by PwC	Value (£)	Threats to independence and safeguards in place
<b>Objection to the 2012/13 accounts</b>	68,517	<b>None as the work is carried out as part of our responsibilities as appointed auditors.</b>
We investigated an objection in relation to the Committee’s contract to provide the Parking on Private Land Appeals (POPLA) Service for the British parking Association.		
<b>Possible objection to the 2013/14 and 2014/15 accounts</b>	TBC	<b>None as the work is carried out as part of our responsibilities as appointed auditors.</b>
A London elector has raised with us a possible		

objection in relation to recognising income relating to the POPLA contract which we are considering

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At the date of this report we confirm that in our professional judgement, we are independent accountants with respect to the Committee, 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 17.

### *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 Committee'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 Audit 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 Committee has put in place proper

arrangements to secure economy, efficiency and effectiveness in the use of resources.

Audit Commission guidance specifies the criteria for our value for money conclusion as:

- reviewing the annual governance statement (AGS);
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- other local risk-based work as appropriate, or any work mandated by the Commission.

We determined 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.

### *Other reporting requirements*

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

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

We issued our final determination on the objection to the 2012/13 accounts relating to the POPLA contract on 28 April 2015.

We then issued our completion certificate on the 2012/13 accounts on 12 June 2015 following completion of our work on the objection.

## ***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 Committee audit*

Deficiency	Recommendation	Management's response
<p><b>Cut-off of expenditure</b></p> <p>We found two instances where management had not created payments in advance for invoices relating to a period which spanned more than one accounting period. Management explained that this is because unless they are notified by the staff member inputting the invoice, they will not perform a review of that cost centre to check a creditor or payment in advance exists.</p> <p>Management reviewed the whole balance and provided us with a new population to test. We then selected our sample from the new population and tested this, with no further issues noted.</p>	<p>We recommend that management carries out a year end exercise to remind staff of the need to consider whether a creditor or payment in advance is needed in respect of expenditure which cuts across more than one year or accounting period.</p>	<p>Agreed. Staff will be reminded of this matter as part of the 2015/16 accounts production process.</p>



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## ***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 Audit Committee**

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.

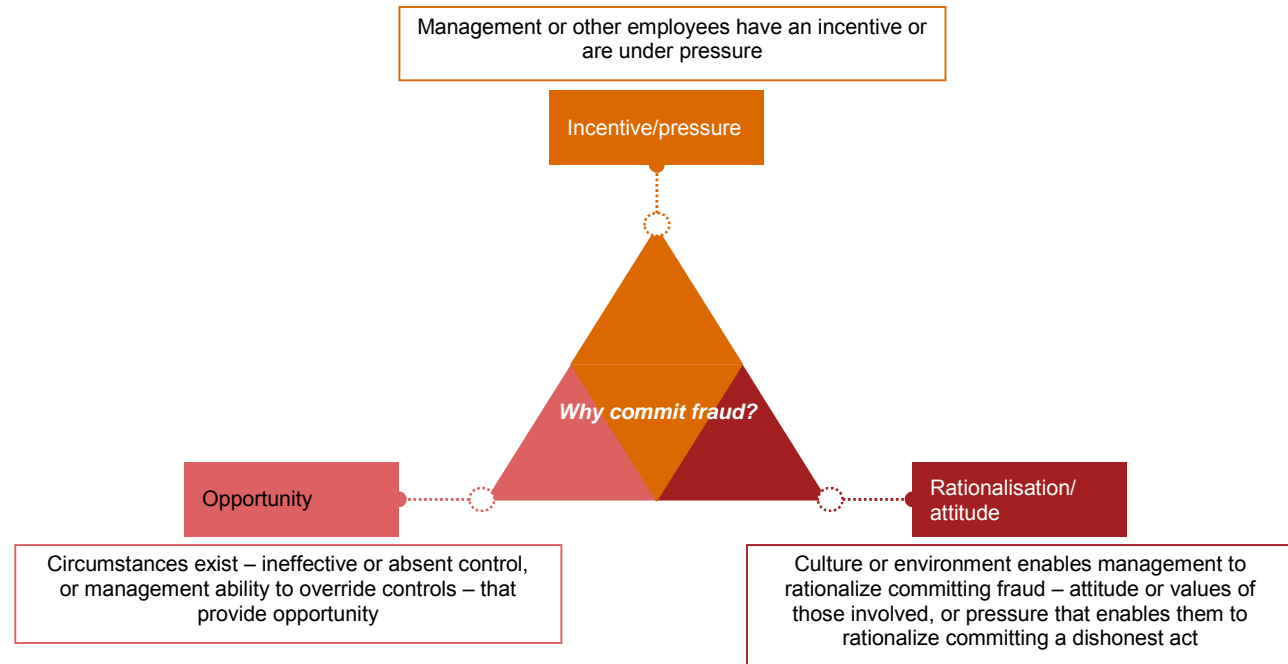
### **Your views on fraud**

In our audit plan presented to the Audit 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?

## Item 9 - Annual Audit Report

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 February 2015.

Our actual fees were in line with our proposals.

Our fees to be charged are therefore:

	2014/15 outturn (£)	2014/15 fee proposal (£)
<b>Audit work performed under the Code of Audit Practice</b>	54,058	54,058
- 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		
<b>AR 27 return</b>	1,500	1,500
<b>Objections</b>	68,517*	TBC
<b>Total</b>	<b>124,075</b>	<b>55,558</b>

\*Our fee for objections is yet to be finalised for 2014/15 as we continue to consider a possible objection relating to the POPLA contract. We will provide the Audit Committee with a verbal update at its meeting on 24 September. The fee included here is in respect of the 2012/13 objection which was determined on 28 April 2015.

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# *Appendices*

## ***Appendix 1: Summary of uncorrected misstatements***

### ***Committee Audit***

#### **Uncorrected misstatements**

At the time of drafting this report there are no uncorrected misstatements. We will provide a verbal update to the Committee.

#### **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 will provide a verbal update to the Committee.

## ***Appendix 2: Letter of representation***

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6NN

Dear Sirs

### **Representation letter – audit of London Councils Joint Committee (“the Committee”) 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 Committee give a true and fair view of the affairs of the Committee 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 S151 Officer 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 Committee 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 Committee 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 Committee 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 Committee 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 Committee'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 Committee 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 Committee 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 Committee'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 Committee'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 Committee 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 Committee'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 Committee conducts its business and which are central to the Committee'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.

***Related party transactions***

I confirm that the attached appendix to this letter is a complete list of the Committee's related parties. All material transfer of resources, services or obligations between the Committee 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 Committee participate.

***Contractual arrangements/agreements***

All contractual arrangements (including side-letters to agreements) entered into by the Committee 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 Committee'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 Committee or any associated company for whose taxation liabilities the Committee may be responsible.

### ***Using the work of experts***

I agree with the findings of Barnett Waddingham LLP, experts in evaluating the net pensions liability. 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 Committee 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.

### ***Bank accounts***

I confirm that I have disclosed all bank accounts to you.

### ***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 Committee is committed to providing, including any arrangements that are statutory, contractual or implicit in the Committee'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.

### ***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 Committee'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 Committee 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 Committee 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 Committee has satisfactory title to all assets and there are no liens or encumbrances on the Committee'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 Committee 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 Committee 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 Committee on behalf of an affiliate, member, officer or any other third party.

### ***Items specific to Local Government***

I confirm that the Committee does not have plans to implement any redundancy/early retirement programmes for which we should have made provision in the Statement of Accounts.

Item 9 - Annual Audit Report

I confirm that the Committee has determined a prudent amount of revenue provision for the year under the Prudential Framework.

I confirm that the Committee 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 Audit Committee at its meeting on 24 September 2015.

.....

S151 Officer

.....

Date

.....

Chairman of the Audit Committee

.....

Date



**Appendix 1 - Related parties**

Complete list of the Committee’s related parties [to be added by management]



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

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