ANNEX B

Report to the Audit and Standards Committee

SURREY HEATH BOROUGH COUNCIL

Audit Completion Report: Year ended 31 March 2019

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CONTENTS

WELCOME
Introduction

We have pleasure in presenting our initial Audit Completion Report to the Surrey Heath Borough Council. This report is an integral part of our communication strategy with you, a strategy which is designed to ensure effective two way communication throughout the audit process with those charged with governance.

It summarises the results of completing the planned audit approach for the year ended 31 March 2019, specific audit findings and areas requiring further discussion and/or the attention of the Audit and Standards Committee. At the completion stage of the audit it is essential that we engage with the Audit and Standards Committee on the results of our audit of the financial statements and use of resources comprising: audit work on key risk areas, including significant estimates and judgements made by management, critical accounting policies, any significant deficiencies in internal controls, and the presentation and disclosure in the financial statements.

We will issue a final Audit Completion Report once any outstanding work has been completed. We look forward to discussing these matters with you at the Audit and Standards Committee meeting and to receiving your input.

In the meantime if you would like to discuss any aspects in advance of the meeting we would be happy to do so.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Audit and Standards Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We would also like to take this opportunity to thank the management and staff of the Council for the co-operation and assistance provided during the audit.

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17 July 2019

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OVERVIEW

Executive summary

This summary provides an overview of the audit matters that we believe are important to the Audit and Standards Committee in reviewing the results of the audit of the financial statements of the Council and use of resources of the Council for the year ended 31 March 2019.

It is also intended to promote effective communication and discussion and to ensure that the results of the audit appropriately incorporate input from those charged with governance.

Overview

Our audit work is substantially complete and subject to the successful resolution of outstanding matters, we anticipate issuing our opinion on the financial statements and use of resources for the year ended 31 March 2019 in line with the agreed timetable.

We are required to bring to your attention a significant change to the audit approach from that reported in the Audit Plan. At the meeting to discuss the Audit Plan on 25 March, we reported that overall financial statements materiality would be set by reference to gross expenditure levels.

We have since adopted an assets based overall financial statements materiality. This is due to the Council now directly accounting for the assets of the Jersey Property Unit Trust (JPUT) and the significant value of land, buildings and investment property held by the Council to generate income to support the activities of the Council. We continue to apply a lower specific materiality to the Comprehensive Income and Expenditure Statement where this impacts on the reported financial outturn from revenue resources and the impact on revenue reserves.

Details of the materiality levels adopted are shown on the next page.

There were no additional significant audit risks identified.

No restrictions were placed on our work.

Outstanding matters are listed in the appendices.

Audit report

We anticipate issuing an unmodified audit opinion on the financial statements.

We are proposing to issue an unqualified use of resources conclusion.

THE NUMBERS

Executive summary

Final materiality

The financial statements materiality of £4.5 million was determined based on a benchmark of 2% of long term assets (£225 million).

Specific materiality for the statement of comprehensive income and expenditure of £1.3 million was based on 2% of gross expenditure.

Material misstatements

We identified the following material misstatement that management has agreed to correct:

- The net gain from property disposals had been incorrectly recognised as gross income and expense.
- While JPUT assets and income transferred to the Council were included in the financial statements, other income / expenditure and assets / liabilities were omitted.
- Additional pension liabilities arising from the McCloud and GMP judgements were omitted from the initial actuaries valuation report.
- The actuary also updated the Council's share of the scheme assets as the initial valuation report was based on an estimate.
- A financial liability for a forward loan agreement that is not a financial derivative has been removed from the balance sheet.

It is unclear why the previous auditors did not challenge management on the treatment of the JPUT and forward loan.

As a result of some of these also being misstatements in the prior year, the 2017/18 financial statements have been restated.

The overall impact of these adjustments has been to **increase net assets at 31 March 2019 by 0.172 million and increase the deficit on the provision of services for the year by £0.332 million**.

As some of these misstatements relate to items that are subject to statutory adjustments, the General Fund balance **reduced by £0.272 million**.

Audit scope

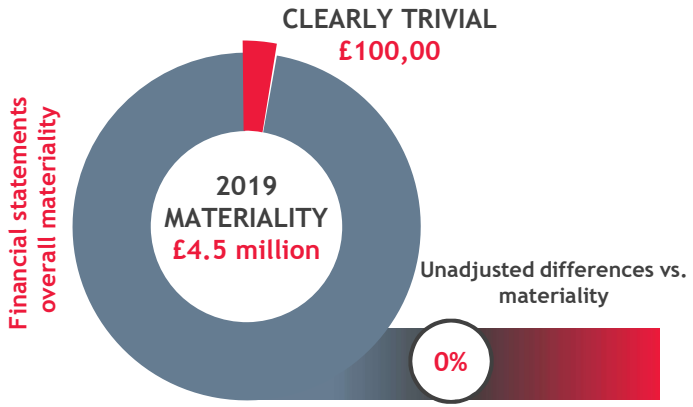
Our approach was designed to ensure we obtained the required level of assurance across the components of the Council in accordance with ISA (UK) 600 Audits of Group Financial Statements.

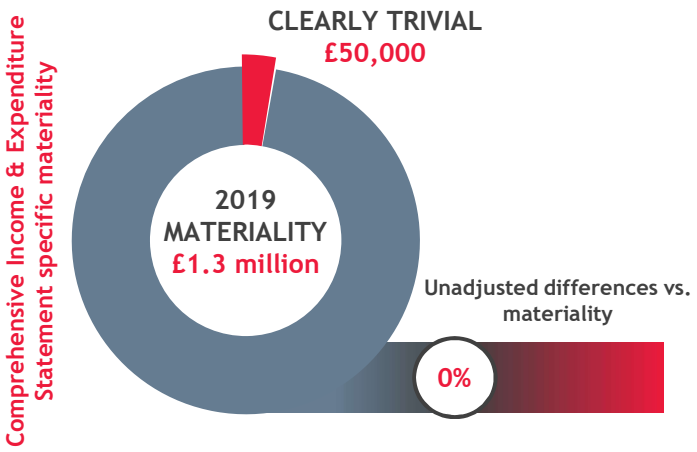
We have audited the Council's financial statements under the NAO Code of Audit Practice.

PwC has audited Jersey Property Unit Trust. We have not yet received the audit pack from PwC to support the transactions and balances included the Council's financial statements.

Unadjusted audit differences

We identified one audit difference above our trivial reporting threshold that relates to the grossing up debtors and creditors, but this has no impact on net assets or the CIES.





OTHER MATTERS

Executive summary

Financial reporting - Significant policy changes

The Council has implemented a significant accounting policy change in respect of the JPUT. In previous years, the Council included the property asset held in the JPUT in it's own financial statements (that perhaps should have been recorded as an investment in a subsidiary), and prepared Group financial statements to consolidate the remaining amounts from the JPUT.

It has since been determined that through the nature of the trust relationship, the Council has control over the underlying assets and liabilities of the JPUT and therefore should account for all transactions and balances directly into the Council's financial statements.

Financial reporting - Other matters

We have not identified any non-compliance with accounting policies or the CIPFA Code.

No other significant accounting policy changes have been identified impacting the current year. IFRS 9 financial instruments and IFRS 15 revenue from contracts with customers has not had a material impact.

Going concern disclosures are deemed sufficient.

The Narrative Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.

The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.

We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements. We plan to issue our opinion on the consistency of the DCT return with the audited financial statements before the National Audit Office's deadline of 13 September 2019.

Other matters that require discussion or confirmation

- Confirmation on fraud, contingent liabilities and subsequent events.
- Letter of Representation.

Independence

We confirm that the firm and its partners and staff involved in the audit remain independent of the Group and the Council in accordance with the Financial Reporting Council's Ethical Standard.

AUDIT RISKS OVERVIEW

As identified in our Audit Plan dated 4 March 2019 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

Audit Risk	Risk Rating	Significant Management Estimates or Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Revenue and expenditure recognition	Significant	No	No	Yes. Adjusted	No	No
Property, plant and equipment and investment property valuation	Significant	Yes	Yes	No	No	No
Pension liability valuation	Significant	Yes	Yes	Yes, adjusted	No	To consider the impact of McCloud and GMP on pension liabilities
Accounting for Joint Waste and Recycling contract	Normal	No	No	Yes. Adjusted	No	No
Classification and measurement of financial instruments (IFRS 9)	Normal	No	No	Yes. Adjusted	No	To note the adjustment in respect of hedge accounting
Revenue from contracts with customers (IFRS 15)	Normal	No	No	Yes Unadjusted disclosure	No	No
Accounting for investment in JPUT	Normal	Yes	No	No	No	To note the change in basis of accounting for the JPUT

Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.

Under auditing standards there is a presumed significant risk of management override of the system of internal controls that could conceal fraudulent transactions or result in material misstatement in the financial statements.

Work performed

We carried out the following planned audit procedures:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.

Results

Our detailed testing of a sample of journals is still in progress however our work to date has not identified any significant issues.

We have not found any indication of management bias in accounting estimates. Our views on significant management estimates are set out in this report.

We have identified no significant or unusual transactions to date which we consider to be indicative of fraud in relation to management override of controls.

REVENUE AND EXPENDITURE RECOGNITION

Under auditing standards there is a presumption that income recognition presents a fraud risk.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	
Unadjusted error	■
Adjusted error	■
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

Under auditing standards there is a presumption that there is a risk of fraud in revenue recognition. In particular, we consider there to be a significant risk in respect of the existence (recognition) of fees and charges in the comprehensive income and expenditure statement (CIES). In our Audit Plan we referred to the risk in relation to recognition for revenue and capital grants that are subject to performance conditions. This revenue was deemed not to present fraud risk as the revenue for grants with conditions was £1.05 million.

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to cut-off of expenditure, where testing will be focussed.

Work performed

We carried out the following planned audit procedures:

- Tested a sample of fees and charges in income to documentation and checked whether income has occurred during the year and recognised appropriately; and
- Tested a sample of expenditure either side of year end, to confirm that expenditure has been recorded in the correct period and that all expenditure that should have been recorded at year end has been.

Results

Our sample testing of fees and charges did not identify any errors in the recognition of income.

Our expenditure cut off testing did not identify any errors in the recognition of expenditure in the correct period.

However, we noted that invoices totalling £170,000 relating to 2019/20 were raised before year end and initially recorded as income and debtors. The correcting journal to remove this from income in 2018/19 was incorrectly processed by increasing creditors rather than reducing debtor, resulting in a grossing up error in debtors and creditors. This presentational misstatement has not been corrected.

PPE AND INVESTMENT PROPERTIES

There is a risk over the valuation of land, buildings and investment properties where valuations are based on significant assumptions.

Significant risk	■
Normal risk	
Significant management judgement	
Use of experts	■
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

Local authorities are required to ensure that the carrying value of land, buildings and investment properties is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.

Revaluations are carried out on a rolling programme with the exception of investment property assets held in the JPUT which are valued annually. Assets which are expected to be subject to significant valuation movements are revalued on an annual basis. Valuations are carried out by external RICS qualified valuers.

Due to the significant value of the Council's land, buildings and investment properties and the high degree of estimation uncertainty, there is a risk over the valuation of these assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.

Work performed

We carried out the following planned audit procedures:

- Reviewed the instructions provided to the valuer and reviewed the valuer's skills and expertise in order to determine if we can rely on the management expert;
- Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewed accuracy and completeness of asset information provided to the valuer such as rental agreements and sizes; and
- Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual.

Results

Our review of instructions to the valuer including the valuer's skills and expertise did not identify any issues. We also confirmed the basis of valuation for assets valued in year is appropriate and in line with Code.

We have confirmed the accuracy and completeness of asset information provided to the valuer by agreeing information to source data such as lease agreements and floor plans.

The results of out review of the assumptions and estimates used by the valuer for classes of assets is reported on the following pages.

PPE AND INVESTMENT PROPERTIES 2

Significant estimate

Other land and buildings at Existing use value (£83 million)

< lower valuation > Higher valuation

Other land and buildings valued at existing use current value has been revalued upwards by £0.45 million (0.3%). MCSI regional capital growth indices show regional price movements of -4.1% for retail, +1.7% for office, +4.30% for industrial, and -0.40% for houses for the period Q1 2018 to Q1 2019 (as the effective date of the Council's valuations is 1 December 2018 with further review on 31 March 2019). The Council's other land and building comprise a mix of asset types.

The variances observed is largely as a result of upward movements on London road recreational grounds of £0.23 million. We noted that the valuation for recreational grounds applies a cost price that reflects commercial or residential land. This more appropriately reflects the price of acquiring replacement land in the borough since it is likely that such land would obtain mixed use planning consents.

We have obtained specific explanations for individual movements outside of our expectation.

Overall we are satisfied that the valuations for other land and buildings held at existing use value is reasonable.

Other land and buildings include The Main Square Camberley Shopping Centre with a valuation of £81 million. The Council considers these properties as supporting its long term regeneration strategy. We are waiting for the auditors of the JPUT to confirm the reasonableness of the valuation of the shopping centre.

Buildings at Depreciation Replacement Costs including theatre and leisure centres (£17 million)

< lower valuation > Higher valuation

Specialised assets such as theatres and cinemas are valued on Depreciated Replacement Cost basis and it involves estimating the build cost of a modern equivalent asset to which adjustments are made for physical, economic and functional obsolescence and external environmental factors. The Council valued its two specialised assets, the Camberley Theatre and the Arena Leisure Centre.

The theatre valuation decreased by 16% from £5.6 million to £4.8 million and the leisure centre valuation decreased by 13% from £12.9 million to £11.6 million.

BCIS Public Sector TPI index suggests that the rebuild costs would increase by 2.4% based on national indices.

We have arranged to discuss these valuations with the valuer and we will update the committee with our results on in the final report.

PPE AND INVESTMENT PROPERTIES 3

Significant estimate

Surplus assets at fair value (£1 million)

< lower valuation | > Higher valuation

Surplus assets are valued at fair value (highest and best use) by reference to similar sales and potentially including an increase where the purchaser may be able to amend the consents for use and increase the value of the asset.

Surplus assets have seen an overall revaluation increase of £36,700 (3.8%) from £961,200 to £997,000. Overall surplus allowance valuation is reasonable

Investment properties at fair value (£71 million including £23 million acquired in-year)

< lower valuation | > Higher valuation

Investment properties are valued at fair value (highest and best use) usually based on the current and future potential rent yields. This could potentially include an increase where the purchaser may be able to amend the consents for use or develop the property and increase the value of the asset.

Investment property valued in year was £71 million. This included £23 million in year acquisition. Investment property has seen an increase in valuation of £1.2 million (3%) when the revalued additions are excluded. MCSI regional capital growth indices show regional price movements of -4.1% for retail, +1.7% for office and +4.30% for industrial for the period Q1 2018 to Q1 2019 (as the effective date of the Council's valuations is 1 December 2018 and 31 March 2019). The valuation increase is above our overall expected change in valuation.

We noted that upward increase was mainly due to an increased valuation on THE Albany warehouse by £0.58 million. The site was acquired in December 2016 with multiple lettings with both fixed and open market rent reviews. There is only one year left on the existing lease and valuer applied a higher rent reversion amount to support this increased valuation.

The Council also acquired two properties during the year and valued these properties. The purchase price for these properties was £27 million and was subsequently valued down to £23 million. The valuer has based valuation on rent reversion based on recent lettings within the estate. The property consists of 9 industrial units with various existing lease terms on acquisition and all expiring within the next 2 years.

Overall we are satisfied the valuation of investment properties is within a reasonable range.

PENSION LIABILITY VALUATION

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

Significant risk	■
Normal risk	
Significant management judgement	■
Use of experts	■
Unadjusted error	■
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

The net pension liability comprises the Council's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions. An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.

Work performed

We carried out the following planned audit procedures:

- Agreed the disclosures to the information provided by the pension fund actuary;
- Reviewed the controls for providing accurate membership data to the actuary;
- Checked whether any significant changes in membership data have been communicated to the actuary; and
- Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.

Results

We have agreed the disclosures to the information provided by the actuary and identified no issues. We noted that the Council did not disclose the basis for estimating the scheme's assets and liabilities. The composition of the scheme's assets was not disclosed in the accounts. We have reported these as disclosure errors.

We have not yet received a response from the pension fund auditor in response to our request for assurances over the controls operated by the administering authority over the accuracy of the membership data and the information communicated to the actuary to support the liability valuation at 31 March 2019.

Management confirmed that there are no significant changes in membership and this is consistent with our knowledge of the Council.

Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted in the following page.

PENSION LIABILITY VALUATION 2

Significant estimate

Pension liabilities (£126 million)

< lower valuation > Higher valuation

The Council's pension liability has increased from £116 million to £126 million and it's share of the scheme assets increased from £77 million to £82 million. The net deficit increased by £5 million to £44.5 million mostly due to changes in financial assumptions including annual salaries increases above CPI at 2.8% (previously 2.7%), annual pension increases of 2.5% (previously 2.4%), and a change in the rate of discounting scheme liabilities to 2.4% (previously 2.6%).

We have compared the key financial and demographic assumptions used to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO.

	Actual used	Acceptable range	Comments
Financials:			
- RPI increase	3.5%	3.4 - 3.50%	Reasonable
- CPI increase	2.5%	2.4 - 2.50%	Reasonable
- Salary increase	2.8%	1.0 - 3.50%	Reasonable - short term assumption of +1% and post 2020 set in line with RPI
- Pension increase	2.5%	2.4 - 2.50%	Reasonable
- Discount rate	2.4%	2.4 - 2.50%	Reasonable
Commutation:	25% / 63%	25 – 75%	Reasonable – pre 2008 scheme 25% and post 2008 63%
Mortality:			
- Male current	24.1 years	23.7 - 24.4	Reasonable
- Female current	26.4 years	26.2 - 26.6	Reasonable
- Male retired	22.5 years	21.5 - 22.8	Reasonable
- Female retired	24.6 years	24.1 - 25.1	Reasonable
Mortality gains	CMI 2013 (+1.25% improvement rate) with Club Vita local adjustments		Reasonable

We consider that the assumptions and methodology used by the Council's actuary are appropriate, and will result in an estimate of the net pension liability which falls within a reasonable range.

We note that the consulting actuary has stated that the assumptions used by Hymans Robertson do tend to produce slightly higher liabilities calculations than the other actuaries, and the relative liability compared to assumptions used by others could result in a liability being at 103.1% using an average of all the actuaries.

PENSION LIABILITY VALUATION 3

Significant estimate

McCloud age discrimination

Following the ruling on age discrimination in the McCloud case, where members approaching retirement age received protected benefits moving to the career average relevant earnings scheme from the final salary scheme but employees more than 10 years from retirement did not received this underpin of benefits, Government will have to remedy the discrimination in the LGPS.

The Government Actuary Department has undertaken an LGPS-wide impact assessment and a worse case scenario suggests that the liability could increase by up to 3.2% for active members where the remedy would be for all staff to receive the underpin, and using a model with an average member age of 46 and salaries increasing at +1.5% above CPI.

The Council has obtained an updated valuation of the liability to take account of the impact of this ruling. This suggests that the Council's liability could increase by £183,000 (0.15%). This is lower than forecast by GAD using a worse case scenario and we will review the assumptions used by the actuary.

Management has agreed to correct this error.

GMP equalisation

Following a ruling on gender discrimination in the Lloyds Banking Group case, the courts found that UK defined benefit schemes must equalise Guaranteed Minimum Pensions (GMP). The Government's interim solution, originally in place from 2016 to 2018, has been extended to 2021 and it is not yet clear whether the LGPS (through employers) or Government will fund these additional costs after 2021.

An LGPS wide assessment of additional liabilities arising from GMP equalisation for the interim solution between 2016 to 2018, the extension from 2018 to 2021, and potential post 2021 costs falling on the LGPS could increase liabilities by +0.3%.

The Council has obtained an updated valuation of the liability to take account of the impact of this ruling. This suggests that the Council's liability could increase by £413,000 (0.34%) and within our expectations.

Management has agreed to correct this error.

ACCOUNTING FOR JOINT WASTE AND RECYCLING CONTRACT

There is a risk the Council's application of gross accounting to this arrangement may not be appropriate.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

Waste and recycling services across the Borough are provided by Amey on behalf of Joint Waste Solutions (JWS). JWS manages waste and recycling services for Surrey Heath and three other local authorities in Surrey, with Surrey Heath Borough Council as the contract lead. The Council applies gross accounting to the Joint Waste and Recycling contract with three other local authorities. The arrangements suggest that Council may be acting as an agent in recharging costs to the local authorities rather than acting as principal in providing a service.

There is a risk the Council's application of gross accounting to this arrangement may not be appropriate.

Work performed

We carried out the following planned audit procedures:

- We have reviewed management's judgement in applying gross accounting to waste and recycling transactions having regard to the underlying arrangement between the Council and the other local authorities.

Results

Our review of these arrangements suggests that the Council is acting as a host agent for each of the participating councils and should not be accounting for this as a principal (gross accounting), only accounting for its share of the costs of the services. Transactions on behalf of the other councils should simply be recorded as balance sheet personal account balances to recognise the difference between amounts paid on behalf the other councils and the amounts collected.

The Council accounted for this contract on a gross basis in the prior year and part of this year. The transactions in 2018/19 relating to the other councils have been removed from income and expenditure and are correctly held as personal account balances in the balance sheet. The financial statements for this year were then prepared on the correct basis.

FINANCIAL INSTRUMENTS (IFRS 9)

There is a risk that related party disclosures are not complete and accurate.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	■
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and loans provided to others) and liabilities (principally borrowing) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation. CIPFA has published guidance to assist with the required review and any restatement required where the classification needs to be amended.

There is a risk that relevant financial assets and liabilities are not classified and measured in accordance with the new accounting standard.

Work performed

We carried out the following planned audit procedures:

- Reviewed the work performed by the Council to assess the new classification of financial instruments in accordance with the guidance; and
- Reviewed the disclosures required relating to the adoption of the new accounting standard.

Results

The Council has applied the historical default rates (incurred losses) using system data to determine the credit losses on trade receivables within the scope of IFRS 9, but has not updated this to reflect expected (future) credit losses. However, this is unlikely to result in a material difference in the amount of credit losses recognised. The disclosures around forward looking information used, the use of the simplified approach and the type of debtors this has been applied to should also be improved

The Council reclassified the CCLA property Fund from available-for-sale financial instruments to fair value through profit and loss as required. All other financial instruments have been appropriately reclassified.

We noted that the Council has applied hedge accounting to its loan commitment of £50 million with Phoenix Life. Our review would suggest that a loan commitment does not meet the requirements to be included as a financial liability under IFRS 9 requirements and once drawn the loan is likely to be measured at amortised cost with no fair value adjustment through the financial statements. The Council recognised fair value movements as a hedge liability of £0.86 million in the current year and £1.98 million in the prior year in other comprehensive income due to a change in fair value of the loan commitment, and a total derivative liability of £1.12 million in the balance sheet.

Management has agreed to correct these errors.

REVENUE FROM CONTRACTS (IFRS 15)

There is a risk that revenue from contracts with customers is not measured in accordance with IFRS 15.

Significant risk	
Normal risk	■
Significant management judgement	
Use of experts	
Unadjusted error	
Adjusted error	
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

IFRS 15 revenue from contracts with customers has been implemented for 2018/19 and requires all relevant revenue streams to be reviewed under a new '5-step model' to determine the appropriate point at which revenue can be recognised. CIPFA has published guidance to assist with the required review including what revenue falls within IFRS 15 or IPSAS 23 revenue from non-exchange transactions, and the process for determining the correct recognition points and amounts for revenue. The Council will need to undertake a review of all relevant revenue streams to determine the appropriate recognition date and amounts in the financial statements.

There is a risk that relevant revenue streams are not recognised in the financial statements in accordance with the new standard.

Work performed

We carried out the following planned audit procedures:

- Reviewed the work performed by the Council to assess the impact of the new '5-step model' on revenue streams on both the Council and JPUT; and
- Reviewed the disclosures required relating to the adoption of the new accounting standard.

Results

Our review of the revenue streams suggests that the recognition of revenue in terms of IFRS 15 is not different to how revenue was not recognised previously and no restatement in opening reserve would be required for the Council.

Whilst we have concluded that IFRS 15 does not change how revenue was previously recognised, the Council did not make any disclosures in its accounting policy to reflect this new standard. We have reported this as a disclosure omission.

ACCOUNTING FOR INVESTMENT IN JPUT

There is a risk that revenue from contracts with customers is not measured in accordance with IFRS 15.

Significant risk	
Normal risk	■
Significant management judgement	■
Use of experts	
Unadjusted error	
Adjusted error	■
Additional disclosure required	
Significant Control Findings	
Letter of Representation point	

Risk description

In 2016/17, the Council acquired an investment property portfolio in the town through the purchase of a Jersey Property Unit Trust (JPUT). The JPUT is a non-corporate trustee arrangement common in Jersey for holding properties where the Council is the beneficiary but the JPUT is administered by trustees. These were shown in the Council's single entity financial statements as an investment in a subsidiary in 2016/17. In 2017/18, the Council reclassified the investment in its single entity financial statements as directly held investment properties and also produced group accounts to report sundry other amounts in the JPUT.

There is a risk that the financial statements may not be reporting the JPUT appropriately in the Council's accounts and the JPUT may be a 'bare trust' arrangement where the transactions and balances should be recorded directly into the Council's financial statements.

Work performed

We carried out the following planned audit procedures:

- Reviewed the arrangements for the administration of the trust and the Councils control over the Trust; and
- Reviewed the appropriateness of the basis of accounting for the income / expenditure and assets / liabilities of the JPUT through the Council's single entity financial statements.

Results

It is necessary to consider whether the legal form of JPUT vehicle confers separation from the Council and, if there is no separation, the Council will account for this as a joint operation. In this case, following detailed review, we agreed with management that the JPUT is a 'bare trust' and it would be appropriate for the Council to directly account for the income / expenditure and assets / liabilities directly into the Council's accounts. No separate Group consolidated financial statements would be required.

However, the financial statements included only the investment property and the dividends received from the JPUT in its financial statements but failed to include the JPUT's expenditure of £3.293 million, income £7.291 million, creditors £6.998 million, cash and bank £1.982 million and debtors £2.537 million.

Management has agreed to correct these errors in the current year and restate the prior year financial statements to include all the transactions and balances of the JPUT within the Council's single entity financial statements.

OTHER MATTERS

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
We identified that £4.9 million proceed from disposal and £3.2 million carrying value of the property disposed was included on a gross basis in the net cost of service line in the Comprehensive Income and Expenditure Statement instead of a net basis in the other operating and expenditure line in the Comprehensive income and Expenditure line as part of the gain and loss on disposal. This has no impact on the bottom line. Reported as presentational error.	Management has agreed to correct this error.
We identified that a property with a carrying value of £843,000 disposed off during the year was incorrectly shown in the property plant and equipment note as held for sale instead of disposal. This is a presentational error.	Management has agreed to correct this error.
We noted that NDR safety net payment due to Surrey County Council was incorrectly classified as transition grant.	We have reported this a presentation error.
We identified that the Council netted its share of the NDR appeals provision of £534,000 from its debtors balance at year end. This resulted in understatement of debtors and provisions.	Management has agreed to correct this error.

OTHER MATTERS 2

The following are additional significant and other matters arising during the audit which we want to bring to your attention.

Issue	Comment
As part of the revised pension liability report from the actuary, we note that the actuary has decreased the Council's share of the pension fund assets from £81.878 million to £80.916 million, a decrease of £962,000. We have not yet received a response to certain assurances sought from the pension fund auditor, that include confirmation that the actuary has used the final asset valuation for the pension fund at 31 March 2019, but we assume that the actuary had used an estimated fund valuation in the initial valuation report and has now updated this for the final fund valuation. We will confirm that the adjustment relates to the actuary using the final pension scheme assets valuation.	Management has agreed to correct this error.
We identified a few presentational and disclosures issues in the financial statements including the below; The Code and IAS 7 has introduced an additional cash flow disclosure this year to reconcile the movement in financial liabilities in the balance sheet with the cash flow statement for cash movements and other non-cash movements.	We have reported this a presentation error.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

Fraud

Whilst the members and Director of Finance have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud.

Our audit procedures did not identify any fraud.

We will seek confirmation from you whether you are aware of any known, suspected or alleged frauds since we last enquired when presenting the audit plan to the Audit and Standards Committee.

Laws and regulations

We have made enquiries of management regarding compliance with laws and regulations and reviewed correspondence with the relevant authorities.

We did not identify any non-compliance with laws and regulations that could have a material impact on the financial statements.

Internal audit

We reviewed the audit work of the Council's internal audit function to assist our risk scoping at the planning stage.

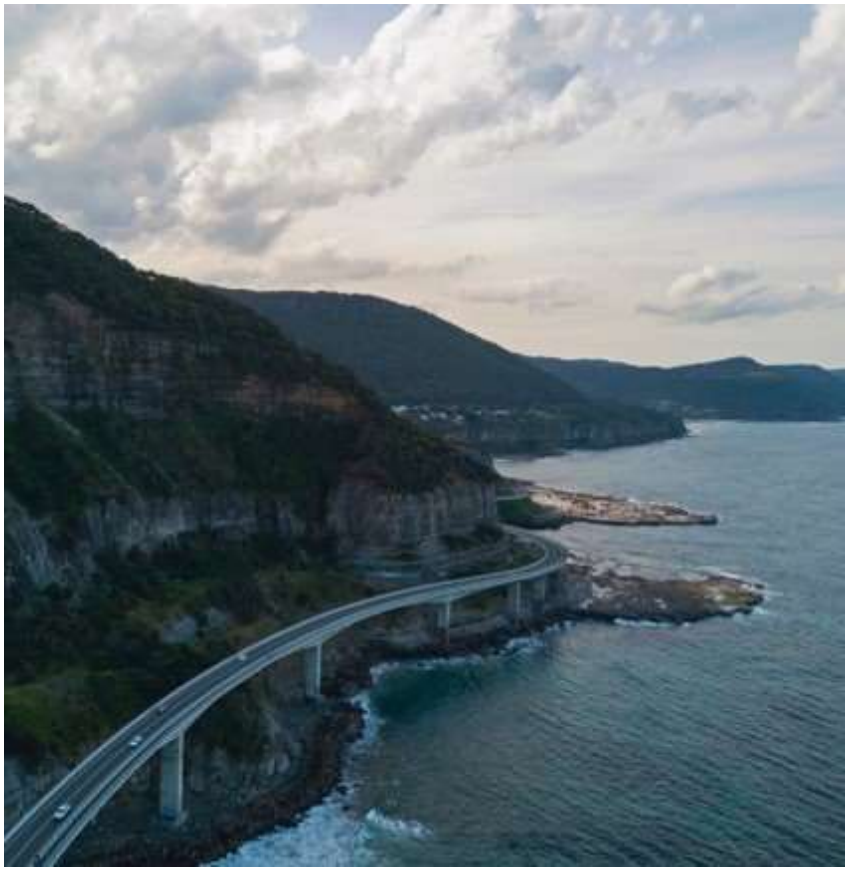
Component audit matters

The JPUT produces its own financial statements that are then consolidated into the financial statements of the Council as a joint operation. While this removes the requirement to produce separate Group and Council single entity financial statements, we rely on the work of the auditors of the JPUT (as a component entity) to support transactions and balances included in the Council's financial statements.

We have not yet received the audit pack from the JPUT auditors (PwC) to support the transactions and balances included the Council's financial statements.

UNADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year



We are required to bring to your attention unadjusted differences and we request that you correct them.

There is one unadjusted audit difference identified by our audit work which would decrease debtors and creditors in the balance sheet. It has no impact on net assets or the CIES.

You consider this difference to be immaterial in the context of the financial statements as a whole.

UNADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council				
	Income and expenditure			Balance sheet	
Unadjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Deficit on provision of service	9,895				
Incorrect reversal of a debtor raised in advance by including the same balance as a creditor				170	
DR Creditor					170
CR Debtor					
Total unadjusted audit differences	---				
Surplus on the provision of services after differences	9,895				

UNADJUSTED DISCLOSURE OMISSIONS AND IMPROVEMENTS

Disclosure omissions and improvements

We are required to bring to your attention other financial reporting matters that the Audit and Standards Committee is required to consider.

The following unadjusted disclosure matters were noted:

- Non disclosure of the basis for estimating the scheme's assets and liabilities.
- The composition of the scheme's assets was not disclosed in the accounts.

REPORTING ON OTHER INFORMATION

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

Matter	Comment
We are required to report on whether the financial and non-financial information in the Narrative Report within the Statement of Accounts is consistent with the financial statements and the knowledge acquired by us in the course of our audit.	Our review of the Narrative Report is still in progress and we will update the Committee in our final completion report.
We are required to report by exception if the Annual Governance Statement is inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report in relation to the consistency of the Annual Governance Statement with the financial statements and our knowledge.

WHOLE OF GOVERNMENT ACCOUNTS

Matter	Comment
For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £500 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Council for use by the Ministry for Housing, Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level. This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.	Local authorities were required to submit the unaudited DCT to HM Treasury and auditors by 28 June 2019. The Council met this deadline. We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the Council's financial statements. We are planning to issue our opinion on the consistency of the DCT return with the audited financial statements before the National Audit Office's 13 September 2019 deadline.

AUDIT RISKS OVERVIEW

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money) and report to you on an 'except for' basis. This is based on the following reporting criterion:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Sustainable resource deployment
- Informed decision making
- Working with partners and other third parties.

As identified in our Audit Plan we assessed the following matters as being the most significant risks regarding use of resources.

Audit Risk	Criterion	Risk Rating	Issues identified that impact on conclusion
Sustainable finances	Sustainable resource deployment	Significant	None

SUSTAINABLE FINANCES

The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

Significant risk	■
Normal risk	
Sustainable resource deployment	■
Informed decision making	
Working with partners and other third parties	
Significant control findings	

Risk description

The Council's Medium Term Financial Strategy (MTFS) covering the period 2020 to 2023 that identified a budget gap of £1.5 million. The Council has identified savings and the delivery of additional income through investments as means to address the budget gap. The achievement of these efficiency and savings targets are inherently challenging.

Work performed

We carried out the following planned audit procedures:

- Reviewed the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied;
- Monitored the delivery of the budgeted savings in 2018/19 and the plans to reduce services costs and increase income from 2019/20; and
- Review the strategies to close the budget gap after 2019/20.

Results

The Council's refreshed MTFS indicates a funding gap of £2 million by 2023-24. The Council intends to fund this gap through additional income generated from its investments in properties. The Council delivered savings of £3.5 million in 2018/19 compared to overspend of £2.5 million in 2017/18. At 31 March 2019 the Council's General Fund reserve increased from £29 million to £33.3 million.

The Council has strategically invested in investment properties to deliver additional income to support it's key objectives. These are funded through borrowing and management anticipates adequate returns from these investments to service the cost of funding over the term of these loan facilities.

We are satisfied that the Council has a good understanding of the budget requirement in the coming years, has arrangements in place to identify and manage the delivery of required savings.

Conclusion

The Council has adequate arrangements in place for planning finances effectively to support the sustainable delivery of strategic priorities.

OTHER DEFICIENCIES

Area	Observation & implication	Recommendation	Management response
Debtors analysis	We identified that analysis produced to support the debtors balance at year end did not agree to debtors balance by £250,000. This was due to finance staff producing the report two weeks after year end and it could not reproduced the report at the balance sheet date. The difference is due to cash receipts for the two weeks post year end. It is important that working papers with supporting evidence are maintained to ensure accuracy and completeness of debtors balance in the accounts.	Management should ensure that adequate evidence supporting debtors balance at year end is maintained at all times and made readily available for audit.	[xx]

OVERVIEW

Opinion on financial statements

We anticipate issuing an unmodified opinion on the financial statements.

There are no matters that we wish to draw attention to by way of 'emphasis of matter'.

Conclusion on use of resources

We are proposing to issue an unqualified use of resources conclusion.

Conclusion relating to going concern

We have nothing to report in respect of the applicability of the going concern basis of accounting or the Council's or Group's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements.

Other information

We have not identified any material misstatements that would need to be referred to in our report.

Annual Governance Statement

We have no matters to report in relation to the Annual Governance Statement as it is not inconsistent or misleading with other information we are aware of.

INDEPENDENCE

Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

Under ISAs (UK) and the FRC's Ethical Standard, we are required as auditors to confirm our independence.

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ended 31 March 2019.

Details of services, other than audit, provided by us to the Group during the period and up to the date of this report are set out in the appendices and were provided in our Audit Plan. We understand that the provision of these services was approved by the Audit and Standards Committee in advance in accordance with the Group's policy on this matter.

Details of rotation arrangements for key members of the audit team and others involved in the engagement were provided in our Audit Plan.

Details of other threats and safeguards applied are given on page xx in the appendices.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard or the IESBA Code of Ethics as appropriate and are independent of the Council and the Group.

We also confirm that we have obtained confirmation of independence from non BDO auditors and external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

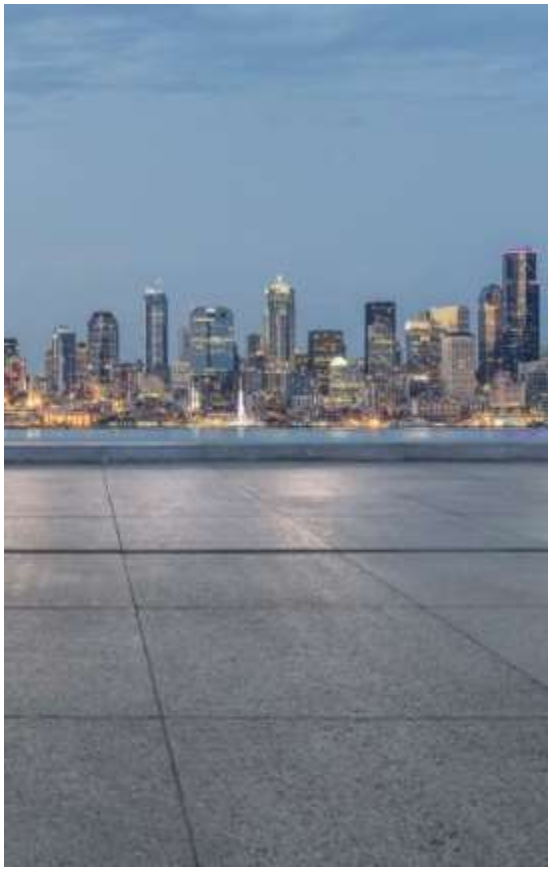
Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

FEES

Fee Summary	2018/19 Actual £	2018/19 Planned £	2017/18 Actual £
Audit fee			
• Code audit fee	TBC	(1) 32,263	(2) 45,905
Non-audit assurance services	TBC	32,263	45,905
Fees for reporting on government grants:			
Housing benefits subsidy claim	Work started	10,000	(2) 11,141
Total fees	**TBC**	**42,263**	**57,046**

(1) PSAA has set the 2018/19 fee scale on the basis that individual fees for all opted-in bodies have been reduced by 23 per cent from the fees applicable scale fee for 2017/18. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.

(2) KPMG were appointed as auditor for these audits in 2017/18 and we have reported their fees above. The planned Code audit fee for 2017/18 was £41,900. Additional fee of £4,005 was charged for the audit of the group accounts.



APPENDICES CONTENTS

RESPONSIBILITIES AND REPORTING

Responsibilities and reporting

Our responsibilities and reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Statement of Accounts such as the Narrative Report. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We report where we consider that the Council has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review the Whole of Government Accounts Data Collection Tool provided to HM Treasury and express an opinion on whether it is consistent with the audited financial statements.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Audit and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

	Issue	Comments
1	Significant difficulties encountered during the audit.	No exceptions to note.
2	Written representations which we seek.	We enclose a copy of our draft representation letter.
3	Any fraud or suspected fraud issues.	No exceptions to note.
4	Any suspected non-compliance with laws or regulations.	No exceptions to note.
5	Significant matters in connection with related parties.	No exceptions to note.

COMMUNICATION AND REPORTS ISSUED

Those Charged with Governance (TCWG)

References in this report to those charged with governance are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Standards Committee.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered.

We have met with management throughout the audit process. We have issued regular updates driving the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Communication	Date (to be) communicated	To whom
Audit Plan	4 March 2019	Audit and Standards Committee
Initial Audit Completion Report	17 July 2019	Audit and Standards Committee
Final Audit Completion Report	(31 July 2019)	Audit and Standards Committee
Annual Audit Letter	(31 August)	Audit and Standards Committee

OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2019.

The following matters are outstanding at the date of this report and could impact our audit opinion. We will update you on their current status at the Audit and Standards Committee meeting at which this report is considered:

1. Clearance of outstanding issues on the audit queries tracker currently with management. The key items on the tracker are:
   - Completion of journal testing
   - Resolving queries with the valuer on land, building and investment property valuations that are outside of our benchmark expectations.
2. Final review and approval by you of the Statement of Accounts
3. Technical clearance
4. Subsequent events review
5. Management letter of representation, as attached in Appendix VI to be approved and signed.

The audit file and financial statements are still subject to review by the Engagement Lead.

AUDIT REPORT

To follow

AUDIT QUALITY

BDO is totally committed to audit quality

It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections.

BDO welcomes feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US companies), the firm undertakes a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years.

We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our Transparency Report at www.bdo.co.uk

Letter of representation

[Client name and Letter headed paper]

BDO LLP
55 Baker Street
London
WIU 7EU

Dear Sirs

Financial statements of Surrey Heath Borough Council for the year ended 31 March 2019

We confirm that the following representations given to you in connection with your audit of the Council' financial statements for the year ended 31 March 2019 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Director of Finance has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2019 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records of the Council have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of management and other meetings have been made available to you.

Going concern

We have made an assessment of the Council's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements were approved for release. As a result of our assessment we consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis. Furthermore, we confirm that the disclosures included in note xx to the financial statements are sufficient.

In making our assessment we did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the Council's ability to continue as a going concern.

Laws and regulations

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

Post balance sheet events

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

Fraud and error

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have made the results available to you.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

We have disclosed to you all allegations of fraud or suspected fraud affecting the financial statements that have been communicated by employees, former employees, analysts, regulators or any other party.

Misstatements

We attach a schedule showing uncorrected misstatements that you have identified, which we acknowledge that you request we correct. Where appropriate we have explained our reasons for not correcting such misstatements below.

In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements as a whole.

Related party transactions

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

Other than as disclosed in note xx to the financial statements, there were no loans, transactions or arrangements between any members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities reflected in the financial statements.

Accounting estimates

a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

Rate of inflation (CPI): 2.5%

Rate of increase in salaries: 2.8%

Rate of increase in pensions: 2.5%

Rate of discounting scheme liabilities: 2.4%

We also confirm that the actuary has applied up-to-date mortality tables for life expectancy of scheme members in calculating scheme liabilities

b) Valuation of land, buildings and investment properties

We confirm that the valuations applied to land, buildings and investment properties revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business. These include current market prices in existing use for operational properties, relevant rebuild cost indices for assets value at depreciation replacement cost, and fair values investment properties and surplus assets.

Litigation and claims

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been accounted for and disclosed in accordance with the requirements of accounting standards.

Confirmation

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each member has taken all the steps that they ought to have taken as a member of the Council in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Kelvin Menon	Cllr Alan McClafferty
Director of Finance	Chair of the Audit and Standards Committee
[date]	[date]

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

t: 020 7983 2616
e: leigh.lloyd-thomas@bdo.co.uk

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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