



# SOUTHEND-ON-SEA BOROUGH COUNCIL

FINAL REPORT TO THOSE CHARGED WITH GOVERNANCE

Audit for the year ended 31 March 2015

22 September 2015 (Draft)

# CONTENTS

OVERVIEW .....	1	APPENDIX I: DEFINITIONS .....	17
INDEPENDENCE .....	4	APPENDIX II: AUDIT DIFFERENCES.....	188
AUDIT SCOPE AND OBJECTIVES.....	5	APPENDIX III: MATERIALITY .....	222
FINANCIAL STATEMENTS.....	6	APPENDIX IV: RECOMMENDATIONS AND ACTION PLAN .....	23
CONTROL ENVIRONMENT .....	12	APPENDIX V: STATUTORY AND PROFESSIONALLY REQUIRED COMMUNICATIONS .....	28
GOVERNANCE REPORTING.....	13	APPENDIX VI: DRAFT REPRESENTATION LETTER .....	29
WHOLE OF GOVERNMENT ACCOUNTS .....	14		
USE OF RESOURCES.....	15		

# OVERVIEW

## Significant audit findings

This summary covers the significant findings from our audit of Southend-on-Sea Borough Council ('the Council') for the year ended 31 March 2015. However, you should read the entirety of this report, as there may be other matters raised that you consider important.

AREA OF AUDIT	SUMMARY
Independence	We have not identified any potential threats to our independence as auditors.
Financial statements audit status	<p>We have substantially completed our work, although there are some outstanding items to be received and/or completed at the time of drafting this report. Further detail on the status of our work is set out on the following page.</p> <p>We have obtained sufficient, appropriate audit evidence to satisfy ourselves that the significant risks identified in our Audit Plan did not result in a material misstatement.</p> <p>Our final audit materiality is £8,090,000 (see appendix III) and we have reported all non-trivial unadjusted audit differences of £200,000 or greater.</p> <p>Three material misstatements were identified during the course of the audit:</p> <ul style="list-style-type: none"><li>• Forum Prior Period Adjustment (PPA) - A PPA for a gross asset value of £14.5m has been recognised in order to remove the parts of the complex relating to the other parties from the financial statements. The adjustment is now recognised in the opening balance sheet at 1 April 2013 and has led to an increase of £18.5m in the surplus on the provision of services in the CIES reported for 2013/14.</li><li>• School Assets - A change in the code requires the Foundation Trust schools in the Borough to be excluded entirely from the council's financial statements as control of the assets is held by the relevant trusts. This change in accounting treatment and policy required a PPA to be recognised by the Council. The PPA included by the Council in the draft accounts should have been recognised in the opening 1 April 2013 balances rather than as an in-year revaluation in 2013/14. This adjustment has reduced the gross balance sheet value of Property, Plant and Equipment by £34.9m. In the original draft accounts an exceptional gain for schools assets of £50.9m was included in the CIES but following the adjustments made this has been removed and so there is no impact on the CIES for 2014/15 or 2013/14.</li><li>• Pier Valuation - The PPA, included in the draft accounts, was amended to be reflected in the opening balances of the 2013/14 year rather than as an in-year revaluation. The adjustment has not impacted on the amounts recognised on the closing balance sheet for 2013/14 or the CIES but has increased the opening balance sheet at 1 April 2013 by £27.3m.</li></ul> <p>All three of the above adjustments relate to complex capital accounting treatments. The officers of the Council regularly liaised with us in agreeing the final treatment of each item and responded appropriately to the outcomes of these discussions. Some technical issues were still being worked through at the time of drafting the financial statements, in one case this was a national issue for which consistency of approach was being sought from audit providers, hence the requirement to make later changes despite early engagement on these issues.</p> <p>In addition to the material matters above, during the completion of the Whole Government Accounts (WGA) Data Collection Tool (DCT) return the Council identified that the Pupil Premium Grant received for schools had been not been included in either income or expenditure in the CIES. Consequently, income and expenditure were both understated by £7.2m although there was no net impact on the Surplus on Provision of Services. This has been corrected and a PPA has also been accounted for to recognise the income and expenditure in relation to this grant in the 2013/14 figures which totalled £6.5m.</p>

There are two unadjusted audit differences which would not have an increase the draft surplus on the provision of services in the CIES to £9.052 million (from £8.469 million) if adjusted. However Officers have indicated that if the insurance provision was reduced for this adjustment then the difference would be taken to the insurance reserve and so there would be no impact on the General Fund balance. There is also one unadjusted disclosure matter. (see appendix II).

Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2015.

Control environment	<p>We have reported one significant deficiency in internal control in relation to payroll amendments. The deficiency reported has previously been identified and reported by Internal Audit. Please see appendix IV for more details.</p> <p>Some other areas for improvement in internal control were identified which we have discussed with management.</p>
Governance reporting	<p>We are satisfied that the annual governance statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with “Delivering Good Governance in Local Government” (CIPFA / SOLACE).</p>
Whole of Government Accounts (WGA)	<p>Our review of the Council’s WGA Data Collection Tool (DCT) is in progress.</p>
Use of resources	<p>We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015. We anticipate issuing an unqualified value for money conclusion.</p>

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

# OVERVIEW

## Audit status and timetable to completion

We set out below the current status of the audit and our timetable to completion.

### AUDIT STATUS

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2015. The following matters are outstanding at the date of this report.

We will update you on their current status at the Audit Committee.

- Conclusion of work in respect of the following:
  - Group accounts
  - Explanatory Foreword
  - Accounting Estimates
- Clearance of manager review points
- Final review of our audit work at engagement partner level, and clearance of any review points arising
- Receipt of final draft statement of accounts for agreed amendments
- Subsequent events review
- Technical clearance and engagement quality control review partner sign off
- Management representation letter, as attached in Appendix VI, to be approved and signed.

### TIMETABLE TO COMPLETE

The anticipated timetable to complete is as follows:

ACTIVITY	DATE
Audit Committee meeting	30 September 2015
Completion and issue of the auditor's report	30 September 2015
Submission of WGA assurance report	2 October 2015

# INDEPENDENCE

## Integrity, objectivity and independence and appropriate safeguards

Under Audit Commission Standing Guidance and Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit Committee as those charged with governance. Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the audit engagement partner and the audit staff. We have considered such matters in the context of our audit for the year ended 31 March 2015.

FEES AND NON AUDIT SERVICES		OTHER RELATIONSHIPS	LONG ASSOCIATION THREATS						
A summary of the estimated fees for audit and non-audit services for the period from 1 April 2014 to date is set out below:		We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.	The Audit Commission’s Standing Guidance requires that the audit engagement partner should not act for more than five years and the audit manager for 10 years.						
	£								
Audit fees	(1) 190,421								
Certification fees	(2) 28,379								
Fees for non audit services:									
- Teachers’ Pension Claim Audit	(3) 6,950								
- Pooled Capital receipts audit	TBC								
TOTAL FEES	225,750		<table><tr><th>Key audit staff</th><th>Years involved</th></tr><tr><td>Lisa Clampin - Audit engagement partner</td><td>1</td></tr><tr><td>Alison Langridge - Audit Manager</td><td>3</td></tr></table>	Key audit staff	Years involved	Lisa Clampin - Audit engagement partner	1	Alison Langridge - Audit Manager	3
Key audit staff	Years involved								
Lisa Clampin - Audit engagement partner	1								
Alison Langridge - Audit Manager	3								

<sup>(1)</sup>This is the scale fee. The final fee will be confirmed once our audit work is completed.

<sup>(2)</sup> This is the scale fee for the housing benefit subsidy return and the final fee will be confirmed once our work is complete.

<sup>(3)</sup> This is the estimate included in the engagement letter that was issued in 2013/14. The actual fee will be calculated based upon the actual number of hours spent auditing this claim.

Non audit fees are for certification of grants which are subject to a separate Engagement Letter. We are awaiting finalised guidance to determine the scope of the work and thresholds to be applied for the Pooled Capital receipts claim.

### INDEPENDENCE DECLARATION AND APPROPRIATE SAFEGUARDS

We have not identified any potential threats to our independence as auditors.

# AUDIT SCOPE AND OBJECTIVES

## Code of audit practice requirements

### SCOPE AND OBJECTIVES

The audit scope is determined by the Audit Commission's Code of Audit Practice for local government (2010), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. This requires that we form an opinion on whether:

- |  |   |  |   |
|--|---|--|---|
| <b>1</b> The financial statements give a true and fair view of the financial position as at 31 March 2015 and of the income and expenditure for the year then ended. | <b>2</b> The financial statements have been prepared properly in accordance with statutory requirements and proper practices have been observed in their compilation. | <b>3</b> The financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting. | <b>4</b> The information given in the statement of accounts and explanatory foreword is consistent with the financial statements. |
| <b>5</b> The annual governance statement is not inconsistent with our knowledge and complies with relevant guidance.   | <b>6</b> The Whole of Government Accounts return is consistent with the audited financial statements and that it is properly prepared.                                | <b>7</b> The audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.  |   |

# FINANCIAL STATEMENTS

## Key audit and accounting matters

### SIGNIFICANT AND OTHER RISKS OF MATERIAL MISSTATEMENT

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered a significant audit risk, in the 2014/15 Audit Plan issued in March 2015. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

We report below our findings of the work designed to address these significant risks, our review of significant accounting estimates and management judgements, and any other relevant audit and accounting issues arising.

**Key:** ■ Significant risk/issue    ■ Significant accounting estimates and management judgements    ■ Other relevant audit and accounting issues

### SIGNIFICANT AUDIT RISK AREAS

RISK	RISK AND RELATED CONTROLS	WORK PERFORMED	CONCLUSION
<b>MANAGEMENT OVERRIDE OF CONTROLS</b>	<p>ISA (UK&amp;I) 240 requires us to presume that a risk of management override of controls is present and significant in all entities.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We reviewed the appropriateness of journal entries and other adjustments made in the preparation of the financial statements.</p> <p>We also reviewed accounting estimates for evidence of possible bias.</p>	<p>No issues have been identified to date in our review of the appropriateness of journal entries and other adjustments made in the preparation of the financial statements.</p> <p>However, our work on accounting estimates is still in progress.</p>
<b>REVENUE RECOGNITION</b>	<p>Auditing standards presume that there is a risk of fraud in relation to revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue. We have been able to rebut this significant risk for all income streams except for Adult Services income.</p> <p>Controls over the Council's revenue includes reviews of invoice requests by the Accounts Receivable Manager to confirm that all invoices have been raised and review of the reconciliation between the accounts receivable and general ledger modules of Agresso.</p>	<p>We substantively tested an extended sample of adult services income to supporting documentation to confirm that income had been accurately recorded and earned in the year.</p> <p>We substantively tested an extended sample of receipts either side of the year end to ensure that income was complete and accounted for in the correct period.</p> <p>Testing was completed over revenue streams which are generated at the provision of a service to customers in order to gain assurance that income was materially complete and accurate.</p>	<p>No issues have been identified to date from our testing of income streams to supporting documentation, our testing of income generated at the request of a customer or our work on year end cut off of receipts.</p>



# FINANCIAL STATEMENTS

## Key audit and accounting matters

SIGNIFICANT AUDIT RISK AREAS			
RISK	RISK AND RELATED CONTROLS	WORK PERFORMED	CONCLUSION
PIER VALUATION	<p>The Pier was revalued during the year with a significant increase in the value of the asset of £28m. Due to the specialist nature of this asset and the significant change in value, which could indicate inappropriate changes in assumptions or judgements supporting the valuation, there is a risk that this asset is incorrectly valued in the financial statements.</p>	<p>We have reviewed the valuation in detail and challenged the valuers assumptions compared to valuation standards and the relevant accounting standards. We have also reviewed the treatment of the valuation in the financial statements and the need for the prior year figures to be restated.</p>	<p>We have concluded that the new valuation included in the accounts is appropriate and that the assumptions and judgements used are not unreasonable.</p> <p>The increase of £28m in the asset value indicated that the previous valuation was not current and we have agreed that it is correct for a prior period adjustment (PPA) to be recognised to restate the 2013/14 figures. From the testing we have completed it was also identified that the PPA of £27.3m, included in the draft accounts, should be amended to be reflected in the opening balances of the 2013/14 year rather than as an in-year revaluation. Please see Appendix II for more detail.</p>
	<p>The valuation reports received from the external valuer are reviewed and subject to a robust challenge by officers at the Council with explanations sought from the valuer to explain key assumptions taken and information to explain significant movements in valuation.</p>		
ACCOUNTING FOR SCHOOLS	<p>The Code of Practice for Local Authority Accounting 2014/15 (the Code) requires the Council to carry out a detailed review of arrangements in place at each voluntary controlled, voluntary aided and foundation school to determine whether the schools (and therefore the Council) control their non-current assets. This may result in a material value of school buildings being brought on to the Balance Sheet, including restatement of comparatives by way of prior period adjustments.</p>	<p>We have reviewed the technical paper prepared by the officers of the Council against the requirements of the Code and relevant legislation. We have also reviewed the treatment of these conclusions in the financial statements and the need for the prior year figures to be restated.</p>	<p>The conclusion reached by the Council for voluntary aided and foundation schools were appropriate and there are no voluntary controlled schools in the borough. Foundation trust schools valued at £34.9m were included in the draft accounts. Following additional information obtained during the audit however it was agreed that control rests with the trust and as such these should be excluded from the Council's balance sheet. This has been amended.</p> <p>We agreed that it is correct for a prior period adjustment (PPA) to be recognised to restate the 2013/14 figures. From the testing we have completed it was also identified that the PPA, included in the draft accounts, should be amended to be reflected in the opening balances of the 2013/14 year rather than as an in-year revaluation. Please see Appendix II for more detail of both adjustments raised.</p>
	<p>The officers of the Council have liaised with the relevant schools and local diocese and prepared a technical paper concluding on the treatment for each type of asset.</p>		

# FINANCIAL STATEMENTS

## Key audit and accounting matters

SIGNIFICANT ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENTS		
ESTIMATE	WORK PERFORMED	CONCLUSION
<b>PENSION LIABILITY (ACTUARIAL ASSUMPTIONS)</b>	<p>The actuarial assumptions used for pension valuations are subject to a high degree of estimation uncertainty that requires the exercise of judgement in determining the appropriate assumptions underlying the valuation.</p> <p>Essex County Council Pension Fund has engaged Barnett Waddingham as a management expert.</p> <p>We have reviewed the actuary's report and the underlying assumptions used to calculate the year end pension liability.</p> <p>We have requested written representations from the Council to confirm that the assumptions applied by the actuary are reasonable and consistent with the Council's knowledge.</p>	<p>The net pension liability of the Council comprises its share of the market value of assets held in the Essex Pension Fund and the estimated future liability to pay pensions for its current, deferred and retired members of the pension scheme.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. Their estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation.</p> <p>We are satisfied that the actuary is independent of the Council, objective and is experienced in undertaking this work. Our review of the assumptions applied in estimating the pension liability suggest that these are not significantly different from those being applied by the actuaries of other local authorities.</p>
<b>FAIR VALUES OF LAND AND BUILDINGS</b>	<p>The calculation of the fair value of land and buildings is subject to a high level of estimation uncertainty that requires the exercise of judgement in determining the appropriate assumptions underlying the valuation.</p> <p>The Council has engaged Wilks, Head and Eve as a management expert.</p> <p>We have reviewed the valuation reports as at 1 April 2014 and the year-end market review that considers impairment and also current market conditions.</p> <p>We have tested a sample of valuations undertaken during the year to ensure the correct valuation basis has been applied and the financial statements have been updated to reflect the latest valuations. We have also reviewed the valuer's assumptions against other price index information.</p>	<p>Land and buildings are required to be carried at fair value which is either existing use value, depreciated replacement cost for specialised properties or open market value. The Council re-values land and buildings over a five years rolling programme and does not adjust for price indices between formal valuations unless there is indication of material changes.</p> <p>Management makes valuation adjustments to land and buildings based on valuation reports and useful economic lives provided by an independent firm of valuers with specialist knowledge and experience valuing local authority estates, which has regard to local prices and building tender indices in the public sector.</p> <p>We are satisfied that the valuer is suitably independent of the Council, objective and experienced in undertaking this work.</p> <p>We compared the asset values to price index information for all categories of assets and concluded that the assumptions made by the valuer were not unreasonable.</p>

## SIGNIFICANT ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENTS

ESTIMATE	WORK PERFORMED	CONCLUSION
<b>CHASE LEISURE CENTRE</b>	<p>Chase High School is a Foundation Trust School which has been removed from the financial statements as a result of changes in the code (as described above on page 7).</p> <p>The school has a leisure centre attached to it, in which the council has shared access outside of school hours and is run under the central leisure contract. As such the Council has an interest in the building.</p> <p>We have reviewed the conclusions and judgements of the officers of the Council in relation to the leisure centre against the requirements of the Code and relevant legislation.</p>	<p>Officers have reviewed the terms of the shared access agreement in conjunction with the latest school valuation and floor plan. They concluded that the leisure centre represents approximately one third of the school site and that the Council has use of it for 50 percent of the time. Based upon this the leisure centre has been recognised in the accounts at a value of £2m. We have reviewed the Council's approach to determining £2m as an appropriate estimate of the value of its interest in Chase High School and we conclude that it is materially correct and recognition of the amount is appropriate.</p> <p>The school became an academy post year end with a new lease agreement signed between the Council and the school. As a result we anticipate that the accounting treatment will be different in 2015/16.</p>

# FINANCIAL STATEMENTS

## Key audit and accounting matters

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES		
ISSUE	WORK PERFORMED AND FINDINGS	CONCLUSION
THE FORUM	<p>The Forum is the new library and learning complex which has been built in partnership between The Council, South Essex College and The University of Essex. This opened in 2013 and previously the whole asset was recognised on the Council's balance sheet. We have reviewed the technical paper prepared by the officers of the Council, following the signing of the lease, against the requirements of the Code and relevant legislation. We have also reviewed the treatment of these conclusions in the financial statements and the need for the prior year figures to be restated.</p>	<p>We have agreed that it is correct for a prior period adjustment (PPA) to be recognised to restate the 2013/14 figures. The draft accounts included a PPA to remove the parts of the complex relating to the other parties from the point that the complex opened in 2013. As part of the consideration of the accounting entries required the existing arrangements were also reviewed. This identified that the other partners in the project were entitled to recognise their share of the building from the start of the building work. The appropriate technical treatment was still being worked through at the time of drafting the financial statements. This resulted in the PPA being required in order to remove the share of the asset relating to the other parties entirely from the 2013/14 opening balances rather than during the 2013/14 year as this is material to the accounts at £14.3m. The adjustment made has not impacted on the amounts recognised on the closing balance sheet for 2013/14 but has led to an increase of £18.5m in the surplus on the provision of services in the CIES reported for 2013/14.</p>
GRANT INCOME	<p>Through the completion of Whole of Government Account (WGA) Data Collection Tool (DCT) return it was identified by the Council that the Pupil Premium Grant and a small amount of the Dedicated Schools Grant received for schools had not been included in either income or expenditure of the financial statements. The reason these had been excluded is because they were posted to holding codes due to the fact that the grant is distributed to schools and they were not reclassified at year end.</p>	<p>The Pupil Premium and Dedicated Schools Grants are passed on to schools as part of their delegated budget and so the net impact on the Surplus on Provision of Services is nil but the income and expenditure have both been understated by £7.15m. This has been amended in the final accounts and a PPA has also been posted as the prior year amount is above our performance materiality level which is used during testing and set at a level which is lower than the materiality reported above. The income and expenditure of £6.5m is now reflected in relation to this grant in the 2013/14 figures.</p>

## OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES

ISSUE	WORK PERFORMED AND FINDINGS	CONCLUSION
PROPERTY, PLANT AND EQUIPMENT (PPE) EXISTENCE	From an initial sample of 40 items selected from the fixed asset register to physically verify, we identified that 5 could either not be identified or should be removed from the asset register. We selected an extended sample which identified a further 16 items to be removed from the register.	The total gross book value of the items identified was £1,994k and the net book value was £1,315k. Most of these items had generic names and were added to the register a number of years ago or were improvement works capitalised for assets which have since been revalued. This initial sample and the extended sample were completed during our interim audit in February and March 2015. Following our interim audit work the capital team completed a detailed review of the register to identify other similar items which should be removed. This has led to assets with a total gross book value of £11,319k and a total net book value of £9,619k being identified and removed from the financial statements. This review by the capital team was finished by June 2015 and so this adjustment was already reflected in the figures in the draft financial statements.
CASHFLOW	We review material accounting disclosures, to confirm that they are in compliance with the requirements of the Code.	A number of misclassification adjustments were identified moving amounts between different lines in the Cashflow and supporting notes so that items were correctly recognised in line with the code. Some of these were identified by Officers at the Council before we started our work and the remaining adjustments were identified through our review of the disclosures against the code guidance. The adjustments had a total impact between different lines of the Cashflow of £691k for the current year and £328k for the prior year with the net impact of the adjustments made to the statement being nil. All prior year items identified were adjusted but these adjustments were not material and therefore accounting standards would not require the council to make a prior period adjustment. However, the Council made these adjustments to aid comparability of the accounts.

## FINANCIAL STATEMENTS OPINION

Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2015.

# CONTROL ENVIRONMENT

## Significant deficiencies

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you and are set out in the table of significant deficiencies below.

As the purpose of the audit is for us to express an opinion on the financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control. We only restate weaknesses already reported by internal audit where we consider these to be significant deficiencies.

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION
PAYROLL AMENDMENTS	This point was previously reported by Internal Audit.  Evidence to support amendments to the Payroll system (including starters, leavers and amendments to staff records) could not be found for a number of amendments during testing completed by Internal Audit.	Without valid supporting documentation the amendments cannot be verified and incorrect or fraudulent amendments could be posted.	The Council should fully implement the recommendations raised by Internal Audit in their final payroll report.

The observations reported to you above were previously identified by Internal Audit. Management's response to our recommendation in respect of this significant deficiency is included in appendix IV.

# GOVERNANCE REPORTING

## Governance matters and quality of reporting

### FINANCIAL STATEMENTS PREPARATION

The draft financial statements, within the statement of accounts, was prepared and provided to us for audit on 30 June 2015.

As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit. As in previous years, an electronic file of audit working papers was provided to us on the first day of the audit.

### CONCLUSIONS AND AUDIT ISSUES

We have no matters to report.

### GOVERNANCE STATEMENT

We are required to review the draft governance statement and to be satisfied that it is not 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.

### CONCLUSIONS AND AUDIT ISSUES

We are satisfied that the governance statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with "Delivering Good Governance in Local Government" (CIPFA / SOLACE).

### STATEMENT OF ACCOUNTS

We are required to read all the financial and non-financial information in the explanatory foreword to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

### CONCLUSIONS AND AUDIT ISSUES

Our review of the explanatory foreword is currently in progress.

# WHOLE OF GOVERNMENT ACCOUNTS

## Consistency of the Data Collection Tool

### REVIEW OF THE DATA COLLECTION TOOL

For Whole of Government Account (WGA) component bodies that are over the prescribed threshold of £350 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 Department of 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.

### CONCLUSIONS AND AUDIT ISSUES

Our review of the Council’s WGA Data Collection Tool (DCT) is in progress.

### ASSURANCE STATEMENT

Our review of the Council’s WGA Data Collection Tool (DCT) is in progress. We will update the Audit Committee on progress on 30 September.



# USE OF RESOURCES

## Scope of the review

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). This is based on the following two reporting criteria:

- The organisation has proper arrangements in place for securing financial resilience (robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future)
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness (prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity).

At the time of drafting we are in the process of concluding on our use of resources work and will provide a verbal update at the Audit Committee.



# APPENDICES



# APPENDIX I: DEFINITIONS

TERM	MEANING
<b>The Council</b>	Southend-on-Sea Borough Council
<b>Management</b>	<p>The persons responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for:</p> <ul style="list-style-type: none"> <li>the financial statements (including designing, implementing, and maintaining effective internal control over financial reporting)</li> <li>putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.</li> </ul>
<b>Those charged with governance</b>	<p>The persons with responsibility for assurance and the Council's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. This includes overseeing the financial reporting process.</p> <p>Those charged with governance for the Council are the Audit Committee.</p>
<b>ISAs (UK &amp; Ireland)</b>	International Standards on Auditing (UK & Ireland)
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards as adopted by the European Union
<b>Materiality</b>	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgement of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
<b>Code</b>	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC(Chartered Institute of Public Finance and Accountancy / Local Authority Scotland Accounts Advisory Committee)
<b>SeRCOP</b>	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
<b>SOLACE</b>	Society of Local Authority Chief Executives
<b>CIES</b>	Comprehensive Income and Expenditure Statement

## APPENDIX II: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, or in aggregate, on the opinion in the auditor's report.

### CORRECTED AUDIT DIFFERENCES

Three material misstatements were identified during the course of the audit:

**Pier Revaluation** - Details of this are included above. The PPA raised in respect of Pier Valuation has been amended to be reflected in the opening balances of the 2013/14 year rather than as an in year revaluation. The adjustment has not impacted on the amounts recognised on the closing balance sheet for 2013/14 or the CIES but has increased the opening balance sheet at 1 April 2013 by £27.3m.

**Schools Assets** - Details of this are included above. These adjustments have reduced the gross balance sheet value of Property, Plant and Equipment (PPE) by £34.9m. In the original draft accounts an exceptional gain for schools assets of £50.9m was included in the CIES but following the adjustments made this has been removed and so there is no impact on the CIES for 2014/15 or 2013/14.

**The Forum** - Details of this are included above. The adjustment has not impacted on the amounts recognised on the closing balance sheet for 2013/14 but has led to an increase of £18.5m in the surplus on the provision of services in the CIES reported for 2013/14.

All three of the above adjustments relate to complex capital accounting treatments. The officers of the Council have had regular liaison with the audit team in agreeing the final treatment of each item and responded appropriately to the outcomes of these discussions. Some technical issues were still being worked through at the time of drafting the financial statements, in one case this was a national issue for which consistency of approach was being sought from audit providers, hence the requirement to make later changes despite early engagement on these issues.

There have also been a number of other misstatements and disclosure adjustments identified during the audit:

**Grant Income** - Details of this are included above. The total gross impact of the adjustment is that the income and expenditure have both been understated by £7.2m although there was no net impact on the Surplus on Provision of Services. A PPA has also been posted to recognise the income and expenditure in relation to this grant in the 2013/14 figures which totalled £6.5m.

**PPE Existence** - Details of this are included above. This has led to assets with a total gross book value of £11,319k and a total net book value of £9,619k being identified and removed from the financial statements. This work was completed as part of our interim audit and so this adjustment was already reflected in the figures in the draft financial statements.

**Cashflow** - Details of this are included above. The adjustments had a total impact between different lines of the Cashflow of £691k for the current year and £328k for the prior year with the net impact of the adjustments made to the statement being nil.

**Post Balance Sheet Events** - Two non-adjusting post balance sheet events have been identified in relation to the agreement signed with the Green Investment Bank and the HRA proposals announced in the Chancellors budget. Disclosure of both of these items has now been included in note 6 of the financial statements.

In addition to the adjustments detailed above, non-material disclosure adjustments were made to the following notes:

- Note 1 - Accounting Policies
- Note 4 - Assumptions made about the future and other major sources of estimation uncertainty
- Note 12 - Property, Plant and Equipment
- Note 14 - Investment Properties
- Note 38 - Officers' Remuneration
- Note 39 - External Audit Costs
- Note 44 - Leases
- Note 50 - Defined Benefit Pension Schemes

#### UNADJUSTED AUDIT DIFFERENCES

There are two unadjusted audit differences which would increase the draft surplus on the provision of services in the CIES to £9.052 million (from £8.469 million) if adjusted. However Officers have indicated that if the insurance provision was reduced for this adjustment then the difference would be taken to the insurance reserve and so there would be no impact on the General Fund balance. There is also one unadjusted disclosure matter.

A schedule of uncorrected audit differences is included on the following pages, with misstatements recorded as factual misstatements, judgemental / estimation misstatements, or projected misstatements. We request that you correct these misstatements. Deliberate misstatement of known issues is not acceptable and identified misstatements should, where practicable, be corrected even if not material.

Management has stated that it considers these identified misstatements to be immaterial in the context of the financial statements taken as a whole.

There are no prior year uncorrected misstatements.

## APPENDIX II: AUDIT DIFFERENCES

### Unadjusted audit differences

UNADJUSTED AUDIT DIFFERENCES	£'000	INCOME AND EXPENDITURE		BALANCE SHEET	
		Dr £'000	(Cr) £'000	Dr £'000	(Cr) £'000
CIES (surplus) or deficit on the provision of services before adjustments	(8,469)				
Dr Investments - Current				200	
Cr Cash and Equivalents					(200)
<i>Being the adjustment to move school deposit account funds held from cash and equivalents to investments (factual misstatement)</i>					
Dr Provisions				583	
Cr Cost of services expenditure	(583)		(583)		
Movement in Reserves - transfer to Earmarked Reserves (Insurance Reserve) from General Fund				583	(583)
<i>Being the adjustment to reduce the value of provisions in relation to two claims which were provided against but for which full recovery was achieved from 3rd parties during the year and as such did not represent valid provisions at the year end. These claims were included in the provision because the insurance database, which is used to generate the main part of the provision, on which claims must be held open for several months after they have been settled in order to comply with the terms of the Council's insurers but these claims are no longer provisions in line with the code. Officers have indicated that if the insurance provision was reduced for this then the difference would be taken to the insurance reserve and so there would be no impact on the General Fund balance. (factual misstatement)</i>					
<b>TOTAL UNADJUSTED AUDIT DIFFERENCES</b>	<b>(583)</b>		(583)	1,366	(783)
CIES (surplus) or deficit on the provision of services after adjustments	(9,052)				

## APPENDIX II: AUDIT DIFFERENCES

### Unadjusted audit differences

IMPACT ON GENERAL FUND AND HRA BALANCES	GENERAL FUND BALANCE	HRA BALANCE
	£'000	£'000
Balances before adjustments	11,000	3,502
Adjustments to CIES above	0	0
<b>Balances after adjustments</b>	<b>11,000</b>	<b>3,502</b>

*Officers have indicated that if the insurance provision was reduced for this then the difference would be taken to the insurance reserve and so there would be no impact on the General Fund balance.*

#### UNADJUSTED DISCLOSURE MATTERS

There is one unadjusted disclosure matter:

Operating Leases (Lessor) - From a sample of leases chosen for testing where the council is the lessor we identified that two leases had the incorrect end date recorded on the schedule used to prepare the accounts disclosure and one property had been sold and so should not be recognised in the note. The net impact was that the commitments shown in note 44 are understated by £25k (factual misstatement). We could not conclude that the errors identified were isolated and therefore a projection has been calculated over the remaining untested population. This projected misstatement totals £277k.

# APPENDIX III: MATERIALITY

In carrying out our work we determine and apply a level of materiality. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole, or individual elements of the financial statements as appropriate. Consequently, the audit cannot be relied upon to identify all risks or potential or actual misstatements. Materiality may relate to both quantitative and qualitative matters, and for quantitative considerations the numerical level materiality is assessed at may be different for different information in the financial statements. Nevertheless, within this context, we provide an indication of the quantitative levels used for planning purposes. Materiality is re-assessed every year in the context of authoritative audit practice.

MATERIALITY	
Planning materiality	£8,100,000
Final materiality	£8,090,000
Clearly trivial threshold	£200,000

Planning materiality of £8,100,000 was based on 2% of gross expenditure, using the prior year audited figures. The final materiality has been updated based upon the gross expenditure in the draft financial statements.



## APPENDIX IV: RECOMMENDATIONS AND ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<b>FINANCIAL STATEMENTS</b>				
<b>School Title Deed</b>				
From review of title deeds in our testing of school assets it was identified that one foundation school, Eastwood Primary School, has not had its title registered with Land Registry. Not having the title deed registered could lead to potential disputes over the ownership of the land.	<p>Liaise with the school to apply to have the title for the site registered at the land registry in the name of the governing body in order to avoid any potential disputes over the ownership of the land.</p> <p>Review other schools under the Council's control and confirm that the title for each has been registered at the land registry.</p>	<p><b>Agreed</b></p> <p>The council will work with the school to resolve this issue, and review other schools for registration</p>	<p>Alan Richards (Group Manager - Asset Management) in conjunction with Peter Tremayne (Principal Solicitor)</p>	March 2016
<b>School Trust Deed</b>				
From our work completed over the control of school assets it was identified that the Trust Deeds for both Chase High and Futures College could not be obtained by the Council or the schools. Chase High has become an Academy in April 2015 and so is no longer a trust school. Having no Trust Deed could mean that there is not sufficient governance of the Trust in place and that Trustees are not aware of their responsibilities.	<p>Liaise with the Trustees to either obtain the previous trust deed or have a new deed prepared to ensure that sufficient governance of the Trust is in place and that Trustees are aware of their responsibilities.</p>	<p>The council will work with the trustees and the school to resolve this issue.</p>	Head of Learning	March 2016
<b>Property, Plant and Equipment Existence</b>				
From the work we have completed on the existence of fixed assets we have identified a number of items on the Council's fixed asset register which no longer exist and should be removed. This means that the Council's balance sheet is overstated which if left unchanged to could lead to a material difference.	<p>Undertake an annual review of a sample of assets to test for existence. Completing this and following up on any specific asset types identified which may not exist. As a result the Council will ensure that over time any out of date assets are identified and removed from their balance sheet.</p>	<p>This will be actioned by checking a sample of assets each year and extending the sample if this leads to the identification of defined types or groups of assets that need further investigation.</p>	<p>Caroline Fozzard - Group Manager (Financial Planning &amp; Control)</p>	April 2016

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<b>FINANCIAL STATEMENTS</b>				
<b>Operating Leases</b>				
Our testing identified a number of instances where the end dates on the schedule of leases prepared by the Asset Management team have not been accurately recorded compared to the actual lease end date. We have also identified one instance where an asset was disposed of but not removed from the lease schedule. This means that the Council is not reporting the correct value of lease commitments which if left unchanged to could lead to a material difference.	Review the lease schedule against supporting lease documentation and update where relevant so that accurate end dates are recorded. The listing should also be checked against the listing of disposals and any relevant items removed.	<p><b>Agreed</b></p> <p><b>On-going process of review and data improvement will continue</b></p>	<p><b>Alan Richards</b>  (Group Manager - Asset Management)</p>	<p><b>March 2016 and on-going</b></p>
<b>Insurance Provision</b>				
Our testing identified two cases where full recovery was achieved for the claim from a third party during the year and as such did not represent a valid provision at the year end. These claims were included in the provision because the insurance database, which is used to generate the main part of the provision, must be held open for several months after they have been settled in order to comply with the terms of the Council's insurers. These claims are no longer provisions in line with the code.	Complete a review of cases where potential third party recovery could be possible, such as building claims, as part of the year end closedown procedures with the Insurance Manager and any resolved cases should be manually adjusted in the figure recognised in the financial statements.	<p><b>Only a small minority of claims against the Council present an opportunity to seek recovery against a third party. The two cases identified relate to old claims. Methods of recording recovery action have since been changed which should minimise the risk of a mismatch between the amounts provided against the Council's insurance liabilities, and its potential recovery from third parties.</b></p>	<p><b>Ian Ambrose</b>  Group Manager - Financial Management</p>	<p><b>Already Implemented</b></p>

## CONTROL ENVIRONMENT

### Payroll Amendments

This point was previously reported by Internal Audit:

Evidence to support amendments to the Payroll system (including starters, leavers and amendments to staff records) could not be found for a number of amendments during testing completed by Internal Audit.

Fully implement the recommendations raised by Internal Audit in their final payroll report.

**Agreed**

**Anticipated all recommendations will be fully implemented by December 2015**

**Sue Putt (Group  
Manager HR  
Services)**

**December  
2015**

## APPENDIX IV: RECOMMENDATIONS AND ACTION PLAN

### Prior year outstanding recommendations

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS				
<b>Reconciliations - Initially reported in 2011/12</b>				
<p>Our audit work identified that the bank and payroll reconciliations were not being completed on a monthly basis. This resulted in a delay in receiving the year end reconciliations for these areas and adjustments being required to be made to the financial statements as a result.</p> <p>We also identified that, since the implementation of Agresso, Officers have not been utilising the reconciliation / checks between the feeder modules as the system intends. Instead manual reconciliations were being used.</p>	<p>Ensure that all reconciliations are completed on a monthly basis and that the year-end reconciliations are completed in time for the closure of the 2012/13 financial statements.</p> <p>Ensure that reconciliations within the Agresso system are completed as the system intended, making use of the automated reconciliation controls within the system.</p> <p><b>We are aware that significant progress has been made by management into this recommendation and we have received balancing bank reconciliation for the year end 31 March 2015 during September 2015 which has yet to be subject to audit.</b></p>	<p>A lot of work has been done in this area with an upgrade to the cash receipting system and the implementation of the bank reconciliation module in Agresso to enable the bank reconciliations to be completed within the system. Significant progress has been made with catching up the backlog of monthly reconciliations and so the year-end reconciliations will be completed in time for the closure of the statement of accounts in line with normal timescales.</p>	<p>Caroline Fozzard - Group Manager (Financial Planning &amp; Control)</p>	<p>June 2016</p>
<b>Adult Social Care Debt - Initially reported in 2012/13</b>				
<p>Through our testing of adult social care income it was identified that the property value used as a cap when calculating the debt to be recognised is based upon the representations of the client about the property value and is not verified to an external valuer's opinion.</p> <p>This could mean that the council is unable to reclaim all of the debt if the property cannot be sold for as much as the client is claiming. It could also mean that the value of debt may be understated if the value of the property is more</p>	<p>Obtain a valuation of the property when the client first enters the care system and subsequently review this valuation every 5 years on a rolling basis, in accordance with the suggestions from the Group Manager (Department for People).</p> <p><b>At the time of drafting we are in the process of following up on this recommendation and will provide a verbal update at the Audit Committee.</b></p>		<p>Sarah Baker (Group Manager: Department for People)</p>	

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS				

than the client claims it is worth.

**Carefirst and Agresso Interface - Initially reported in 2013/14**

There are no checks completed over the data into Agresso from the Carefirst system to ensure that the data uploaded on Agresso is complete and agrees to the original data from Carefirst.

Data uploaded to Agresso from the Carefirst system should be checked to confirm that the amount of income/expenditure and number of items agrees between the two systems.

This recommendation was followed up in April 2015 where it was verbally confirmed that the check was being undertaken but that no evidence was retained to allow us to confirm this.

At the time of drafting we are in the process of following up on this recommendation to confirm if evidence is now being kept to allow us to assess the implementation and we will provide a verbal update at the Audit Committee.

**Sarah Baker  
(Group Manager:  
Department for  
People)**

## APPENDIX V: STATUTORY AND PROFESSIONALLY REQUIRED COMMUNICATIONS

COMMUNICATION REQUIRED	METHOD
Accounting practices, accounting policies, estimates and judgements and financial statement disclosures (ISA 260)	Financial statements section of this report
Significant difficulties encountered during the audit (ISA 260)	No issues
Significant matters discussed or subject to correspondence with management (ISA 260)	No issues
The final draft of the representation letter (ISA 260)	Appendix VI
Independence (ISA 260)	Independence section of this report
Fraud and illegal acts (ISA 240)	No issues
Non compliance with laws and regulations (ISA 250)	No issues
Significant deficiencies in internal control (ISA 265)	Control environment section of this report
Misstatements, whether or not corrected by the entity (ISA 450)	Appendix II
Significant matters in connection with related parties (ISA 550)	No issues
Events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 570)	No issues
Matters relating to the audit of the group (ISA 600)	No issues
Expected modifications to our audit report or inclusions of emphasis of matter / other matter (ISA 705 / 706)	No issues
Material inconsistencies with other information in documents containing audited financial information (ISA 720)	No issues
Objections from the public or exercise of statutory powers under the Audit Commission Act 1998	No issues

# APPENDIX VI: DRAFT REPRESENTATION LETTER

TO TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP  
16 The Havens  
Ransomes Europark  
Ipswich  
Suffolk  
IP3 9SJ

30 September 2015

Dear Sirs

## **Financial statements of Southend-on-Sea Borough Council for the year ended 31 March 2015**

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2015 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 Head of Finance and Resources has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2011 and Statement of responsibilities of auditors and of audited bodies local government (March 2010) issued by the Audit Commission, and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2015 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) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2011, 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 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 all management and other meetings have been made available to you.

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.

There have been two events since the balance sheet date which require to be disclosed by way of a note. Should any other material events of this type occur, we will advise you accordingly.

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 identified no significant risks.

We have disclosed to you all instances of fraud or suspected fraud that we have knowledge of involving employees.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. 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.

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.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the fair value measurements and significant assumptions in relation to the following are reasonable and that there are no circumstances of which we are aware that would have a material impact on the values reported:

- fair value of property, plant and equipment using the following indexation percentages:
  - 4.00% - Children's Centres
  - 5.00% - Theatres
  - 6.00% - Care Homes, Leisure Centres, Libraries
  - 7.00% - Public Conveniences, Religious Buildings, Schools
  - 7.90% - Council Dwellings
  - 8.00% - Leisure Centre (wet)
- assumptions underpinning the reported pension liability (details reported in note 50)

As the trust deeds cannot be obtained for Chase High Trust or The Futures Community Trust we confirm that following discussions with the Trustees we are not aware of anything in the trust deeds which could comprise an arrangement in the form of a lease and which would change the accounting treatment of the school assets.

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

We confirm that the above representations are made on the basis of enquiries of councillors, 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 Corporate Director has taken all the steps that they ought to have taken as a Corporate Director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Joe Chesterton

**Head of Finance and Resources**


30 September 2015

Councillor Betson

Chairman of the Audit Committee

**Signed on behalf of the Audit Committee**

30 September 2015



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.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

Copyright ©2015 BDO LLP. All rights reserved.

[www.bdo.co.uk](http://www.bdo.co.uk)

