

London Borough of Redbridge

Report to those charged with governance

Report to the Policy and Resources Committee of the authority on the
audit for the year ended 31 March 2013 (*ISA (UK&I) 260*)

Government and
Public Sector

September 2013

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit of the Statement of Accounts is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters. We have issued a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.

A list of these reports is included at Appendix 1 to this report.

Executive summary

Background

This report tells you about the significant findings from our audit. We presented our plan to the Audit Committee in February 2013 and to you on 29 August 2013; we have reviewed the plan and concluded that it remains appropriate.

Audit Summary

- We have completed the majority of our audit work and expect to be able to issue an unqualified audit opinion on the Statement of Accounts on 23 September 2013.
- The key outstanding matters, where our work has commenced but is not yet finalised, are:
 - receipt of outstanding bank and investment confirmations;
 - our completion procedures including subsequent events review; and
 - your approval of the Statement of Accounts and letters of representation.
- There are three key judgments which require the Policy and Resources Committee's attention – further details are set out commencing on pages 8 and 9.

Please note that this report will be sent to the Audit Commission in accordance with the requirements of its standing guidance.

We look forward to discussing our report with you on 19 September 2013. Attending the meeting from PwC will be Ciaran McLaughlin, Chris Hughes and Nicholas White.

Acknowledgements

We would like to thank Geoff Pearce, Mark Green, Dave Fonseca, Jan Grant and their team for the considerable help and assistance provided to us during the course of our audit.

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

We worked with management to deliver the audit in a shorter timescale than in the previous year and we were able to complete our audit work in accordance with the timetable we agreed with management. Audit queries were answered promptly.

Audit approach

Smart People

We continue to deploy our best people on your audit, supported by a substantial investment in training and in our industry programme.

It is our intention that, wherever possible, the same senior staff work on the London Borough of Redbridge audit each year, developing effective relationships and an in depth understanding of your business. We are committed to properly controlling succession within the core team, providing and preserving continuity of team members.

We have held periodic client service meetings with you, separately or as part of other meetings, to gather feedback, ensure satisfaction with our service and identify areas for improvement and development year on year. These reviews form a valuable overview of our service and its contribution to the business. We use the results to brief new team members and enhance the team's awareness and understanding of your requirements.

Smart Approach

Data auditing

We use technology-enabled audit techniques to drive quality, efficiency and insight.

In 2013 the work included:

- Testing manual journals through data analytics, so we consider the complete population of manual journals and target our detailed testing on the items with the highest inherent risk. We have issued a report to

management providing insights into the manual journals raised in the accounting period.

We will also continue to explore ways to extend our use of smart technology and data into other areas where we see an opportunity to add value, as well as for quality and efficiency.

Centre of Excellence

We have a Centre of Excellence in the UK for Local Government which is a dedicated team of specialists who advise, assist and share best practice with our audit teams in more complex areas of the audit.

Our team has been working side by side with the Centre of Excellence to ensure we are executing the best possible audit approach.

Delivery centres

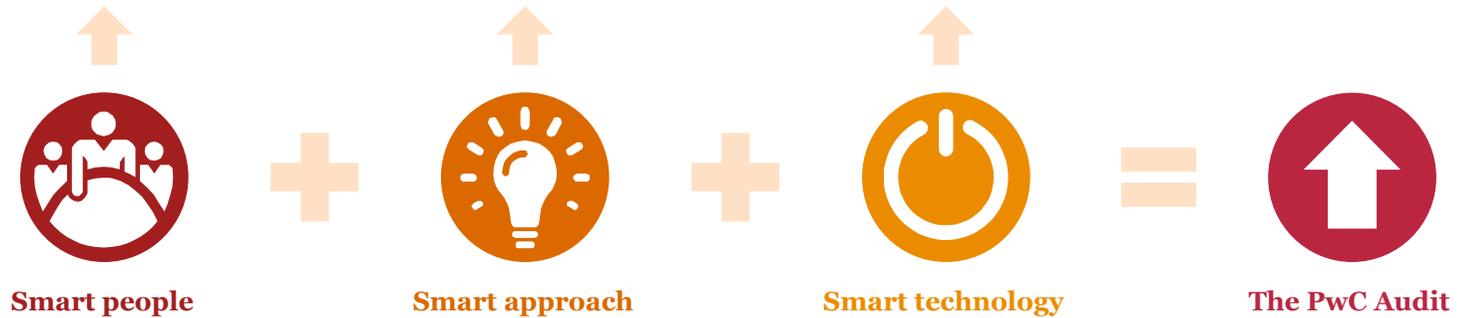
We use dedicated delivery centres to deliver parts of our audit work that are routine and can be done by teams dedicated to specific tasks; for example these include confirmation procedures, preliminary independence checks and consistency and casting checks of the Statement of Accounts.

Smart Technology

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC's Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities. Aura's risk-based approach and workflow technology results in a higher quality, more effective audit

In our plan presented to the Audit Committee in February 2013, we detailed our risk assessment. This allowed us to determine where our audit effort would be focused. We have documented our approach to the risks noted.

and the tailored testing libraries allow us to build standard work programmes for key local government audit cycles.



We have summarised below the significant risks we identified in our audit plan and the audit approach we took to address them.

Risk	Categorisation	Audit approach
Fraud and management override of controls	Significant	<p>During the audit we focused on areas where management could override the control environment to materially misstate the financial statements.</p> <p>We:</p> <ul style="list-style-type: none"> • tested the appropriateness of journal entries by testing a sample based upon our risk assessment criteria; • evaluated the business rationale underlying significant transactions ; and • performed 'unpredictable' procedures. <p>We were unable to re-perform the work of internal audit which was detailed within the audit approach to management override of controls in our audit plan. This was because the payroll report had not been finalised at our testing date. This does not impact our risk assessment in relation to management override of controls however additional time and resources were required for the audit team to perform the controls testing instead of internal audit.</p> <p>We did not identify any issues to report to you as a result of our work.</p>

Risk	Categorisation	Audit approach
Recognition of income and expenditure	Significant	<p>We obtained an understanding of key revenue and expenditure controls.</p> <p>We evaluated and tested the accounting policies for income and expenditure recognition to ensure that they are consistent with the requirements of the Code of Practice on Local Authority Accounting for 2012/13 (“the Code”).</p> <p>We performed detailed testing of revenue and expenditure transactions focussing on the areas of greatest risk.</p> <p>We reviewed significant accounting estimates and judgements for indicators of management bias.</p> <p>We tested a sample of journal entries based on our risk assessment criteria.</p> <p>Our risk assessment has been revised since the audit plan was presented to the Audit Committee in February 2013 to consider the opportunity for fraud and whether this is likely to result in a material misstatement in each income and expenditure stream</p> <p>We assessed that the risk of material misstatement in government grant income and expenditure is not significant and our audit response was amended to reflect this.</p> <p>For income and expenditure, we did not identify any issues to report to you as a result of our work.</p>
Savings plans	Elevated	<p>As part of our work to enable us to issue or conclusion on the authorities arrangements to secure value from money in its use of resources we:</p> <ul style="list-style-type: none"> • considered the systems and processes the Council has put in place to manage effectively its financial risks and opportunities, and to secure a stable financial position; • reviewed the Authority’s budget monitoring process to identify any areas of concern; • discussed with you, your arrangements to review the value for money which your services provide; and • understood the planned level of reserves and contingencies against your stated policy and the level of future risk in delivering the Medium Term Financial Strategy. <p>Based on the work carried out there are no issues which we wish to bring to your attention.</p>

We have set out the matters that remain to be resolved before our audit can be completed.

In addition, we have detailed four matters relating to the audit of the Statement of Accounts that we wish to draw to your attention.

Significant audit and accounting matters

Accounts

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

- approval of the Statement of Accounts and letters of representation;
- receipt of outstanding bank and investment confirmations; and
- completion procedures including subsequent events review.

Subject to the satisfactory resolution of these matters, the finalisation of the Statement of Accounts and their approval of them we expect to issue an unqualified audit opinion.

As part of our work on the Statement of Accounts we are also required to examine the Whole of Government Accounts (WGA) schedules submitted to the Department for Communities and Local Government. Our work on the WGA schedules was ongoing at the time of drafting this report we will provide a verbal update to the Committee on the completion of this work.

Accounting issues

Auditing Standards require us to tell you about relevant matters relating to the audit of the Statement of Accounts sufficiently promptly to enable you to take appropriate action.

We identified one accounting issue during the course of our work that we wish to draw to your attention.

- Treatment of the Isaac Newton Academy.

Treatment of Isaac Newton Academy

The Authority entered into an agreement in 2011 with ARK Schools to build an Academy in the Borough. The Isaac Newton Academy is recorded in the balance sheet at 31 March 2012 as an asset under construction with a value of approximately £26m. There has been further capital expenditure of £8m in 2012/13. The school opened in September 2012. From that date the Academy provider has occupied and maintained the school and delivered educational services from it.

The school has been built by London Borough of Redbridge on land owned by the Authority and the build has been funded through a grant received from the Department of Education with a third of the project costs being met by the Authority, including costs associated with freeing up the Academy site. Following the opening in September 2012, the Authority has leased the land and building to the Academy for a peppercorn rent for a period of 125 years.

At the date on which the school opened the asset is removed from the Authority's Balance Sheet as a disposal for nil consideration. The loss on de-recognition is recorded within Other Operating Expenditure in the Comprehensive Income and Expenditure Statement and a transfer is then made from the Capital Adjustment Account so there is no impact on the General Fund.

The treatment of Academy Schools is subject to ongoing consideration by CIPFA/LASAAC. We have considered an alternative approach to that adopted by the authority, which would be to treat the expenditure incurred to build the Academy as revenue expenditure funded by capital under statute (REFCUS).

REFCUS would be recognised within the Comprehensive Income and Expenditure Statement in the period in which it is incurred. A transfer is then made from the Capital Adjustment Account so there is no impact on the balance of the General Fund.

We are not minded to challenge the accounting treatment adopted by the authority given that the impact of adopting a different approach has no impact on the General Fund.

Significant accounting principles and policies

Significant accounting principles and policies are disclosed in the notes to the Statement of Accounts.

Through our testing we identified one matter that we would like to bring to your attention with regard to the net pension liability.

We will ask management to represent to us that the selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Statement of Accounts have been considered.

Pension Liability

One of the most significant estimates in the Statement of Accounts is in the valuation of net pension liabilities for employees in the London Borough of Redbridge pension fund. Your net pension liability at 31 March 2013 was £323 million (2012: £272 million).

The 2013 triennial valuation is yet to be concluded and will be reflected in the 2013/14 Statement of Accounts. The deficit for the Local Government Pension Scheme as a whole is expected to have increased from £38bn to £80bn since 2010.

Although assets increased in value in this period by 20%, the value of the liabilities has increased by more than 40%, as these are linked to gilt prices which are at an all time high.

We validated the data supplied to the actuary on which to base their calculations and have no other matters to report in respect of the net pension liability.

Judgments and accounting estimates

The following significant judgments or accounting estimates were used in the preparation of the Statement of Accounts:

Valuation of Property, Plant and Equipment and investment properties - In line with its accounting policy, the Authority has re-valued 20% of its land and buildings during 2012/13. Impairment losses of £31.9 million were recorded on Land & Buildings in year in relation to these assets.

The Authority has utilised the expertise of Wilks, Head & Eve LLP (“WHE”) in evaluating the valuation of the Authority’s property, plant and equipment and investment properties for the first time this year. In prior years, this valuation had been performed by an in-house valuation team. We have used our own internal valuation specialists to review the work of WHE.

Our internal valuation experts have reviewed the assumptions and methodologies used by WHE, and have noted the following points:

- 1) A departure from usual market practice by WHE is that purchaser’s costs have not been deducted from their valuations. Purchaser’s costs comprise stamp duty, agents and legal fees and VAT (on the fees).

However, WHE have suggested that their approach is appropriate because the yields they use are adjusted to reflect the fact that purchasers’ costs are not deducted.

- 2) WHE have used an approach of apportioning land values as a percentage of building costs in their valuation.

However, our valuers would adopt an approach that derived the land values by using a land value per acre based on market comparables.

We have considered the two approaches adopted by WHE and do not consider there to be a material error in the valuations prepared by WHE, but recommend that management, WHE, and our internal valuers discuss the approach to be adopted for the 2013/14 valuations.

Valuation of Pension Liability - The Authority engaged the actuary Hymans Robertson LLP to estimate the value of the Pension Liability on the balance sheet at 31 March 2013. The calculation involves a number of complex judgements, including appropriate discount rates to be used, mortality rates, expected return on pension fund assets, salary changes and estimates of future retirement ages. We have considered these assumptions against actuarial guidance and have agreed those used to be reasonable. Further details of the estimates and conclusions drawn by the audit team are documented in the pension liability section above.

Changes to IAS 19: Employee Benefits - From 2013/14 there will be changes to the accounting for defined benefit schemes and termination benefits. For defined benefit schemes the net finance cost will be used. The net scheme liabilities/assets will be unwound using the discount rate for the pension liability and the costs of administering the scheme will be recognised directly in expenses. The definition of termination benefits has changed and does not now include liabilities where there is a future service element. They do not include any ‘voluntary’ element.

Management representations

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

Audit independence

We are required to follow both the International Standard on Auditing (UK and Ireland) 260 (Revised) “Communication with those charged with governance”, UK Ethical Standard 1 (Revised) “Integrity, objectivity and independence” and UK Ethical Standard 5 (Revised) “Non-audit services provided to audited entities” issued by the UK Auditing Practices Board.

Together these require that we tell you at least annually about all relationships between PricewaterhouseCoopers LLP in the UK and other PricewaterhouseCoopers’ firms and associated entities (“PwC”) and the Authority that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity.

For the purposes of this letter we have made enquiries of all PricewaterhouseCoopers’ teams whose work we intend to use when forming our opinion on the truth and fairness of the Statement of Accounts.

Relationships between PwC and the Authority

We are aware of the following relationships that, in our professional judgement, may reasonably be thought to bear on our independence and objectivity and which represent matters that have occurred during the financial year on which we are to report or up to the date of this document.

Relationships and Investments

We have not identified any potential issues in respect of personal relationships with the Authority or investments in the Authority held by individuals.

Employment of PricewaterhouseCoopers staff by the Authority

We are not aware of any former PwC partners or staff being employed, or holding discussions in respect of employment, by the Authority as a director or in a senior management

position covering financial, accounting or control related areas.

Business relationships

We have not identified any business relationships between PwC and the Authority.

Services provided to the Authority

The audit of the Statement of Accounts is undertaken in accordance with the UK Firm’s internal policies. The audit is also subject to other internal PwC quality control procedures such as peer reviews by other offices.

In addition to the audit of the Statement of Accounts, PwC has also undertaken other work for the Group.

Fees

The analysis of our audit and non-audit fees for the year ended 31 March 2013 is included on page 14. No non-audit services were provided during the year.

Services to Directors and Senior Management

PwC does not provide any services e.g. personal tax services, directly to directors, senior management.

Rotation

It is the Audit Commission's policy that auditors at an audited body at which a full Code audit is required to be carried out should act for an initial period of five years. The Commission’s view is that generally the range of regulatory safeguards it applies within its audit regime is sufficient to reduce any threats to independence that may otherwise arise at the end of this period to an acceptable level. Therefore, to safeguard audit quality, and in accordance with APB Ethical Standard 3, it will subsequently approve auditors for an additional period of up to no more than two years, provided that there are no considerations that compromise, or could be perceived to compromise, the auditor’s independence or objectivity.

Gifts and hospitality

We have not identified any significant gifts or hospitality provided to, or received from, a member of Authority's Cabinet, senior management or staff.

Conclusion

We hereby confirm that in our professional judgement, as at the date of this document:

- we comply with UK regulatory and professional requirements, including the Ethical Standards issued by the Auditing Practices Board; and
- our objectivity is not compromised.

We would ask the Policy and Resources Committee to consider the matters in this document and to confirm that they agree with our conclusion on our independence and objectivity.

Annual Governance Statement

Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Economy, efficiency and effectiveness

Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Audit Commission guidance includes two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We determine a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.

We anticipate issuing an unqualified value for money conclusion.

In accordance with ISA (UK&I) 265 we are required to communicate deficiencies in internal control to those charged with governance.

Internal controls

Accounting systems and systems of internal control

Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the Statement of Accounts and our review of the annual governance statement.

Reporting requirements

We have to report to you any deficiencies in internal control that we found during the audit which we believe should be brought to your attention. We did not identify any significant control deficiencies during the course of the audit.

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the Statement of Accounts taken as a whole are free from material misstatement, whether caused by fraud or error.

Risk of fraud

We discussed with you your understanding of the risk of fraud and corruption and any reported instances when presenting our plan.

In presenting this report to you we ask for your confirmation that there have been no changes to your view of fraud risk and that no additional matters have arisen that should be brought to our attention.

A specific confirmation from management in relation to fraud is included in the letter of representation in Appendix 2.

We have provided a fees update against the plan we presented in February 2013.

Fees update

Fees update for 2012/13

We reported our fee proposals in our plan.

Our actual fees were in line with our proposals. We will discuss this matter with management and agree the additional fee requirement once we have completed our audit.

Based on the information available at present our fees charged were therefore:

	2012/13 Outturn	2012/13 fee proposal
Financial statements, local value for money conclusion and Whole of Government Accounts	183,230	183,230
Pension fund audit	21,000	21,000
Certification of claims and returns*	TBC	43,900
TOTAL	TBC	248,130

Our fee for certification of grants and claims is yet to be finalised for 2012/13 and will be reported to those charged with governance in March 2014 within the Grants Report to Management in relation to 2012/13 grants.

Appendices

Appendix 1: Audit reports issued in 2012/13

We have issued, or will issue, the following audit reports in relation to the 2012/13 audit of London Borough of Redbridge and London Borough of Redbridge Pension Fund:

- London Borough of Redbridge 2012/13 Audit Plan;
- London Borough of Redbridge Pension Fund 2012/13 Audit Plan;
- London Borough of Redbridge ISA 260 Report to those charged with Governance;
- London Borough of Redbridge Pension Fund ISA 260 Report to those charged with Governance;
- Audit report on the London Borough of Redbridge 2012/13 Statement of Accounts, including Value for Money Conclusion;
- Audit report on the London Borough of Redbridge Pension Fund 2012/13; and
- Certification Report to Management in relation to 2012/13 claims and returns.

Appendix 2: Letter of representation

Dear Sirs

Representation letter – audit of the London Borough of Redbridge’s (the Authority) Statement of Accounts for the year ended 31 March 2013

Your audit is conducted for the purpose of expressing an opinion as to whether the Statement of Accounts of the Authority give a true and fair view of the affairs of the Authority as at 31 March 2013 and of its deficit and cash flows for the year then ended and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13.

I acknowledge my responsibilities as Director of Finance and Resources for preparing the Statement of Accounts as set out in the Statement of Responsibilities for the Statement of Accounts. I also acknowledge my responsibility for the administration of the financial affairs of the authority and that I am responsible for making accurate representations to you.

I confirm that the following representations are made on the basis of enquiries of other chief officers and members of the Authority with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself that I can properly make each of the following representations to you.

I confirm, to the best of my knowledge and belief, and having made the appropriate enquiries, the following representations:

Statement of Accounts

- I have fulfilled my responsibilities for the preparation of the Statement of Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 supported by the Service Reporting Code of Practice 2012/13; in particular the Statement of Accounts give a true and fair view in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the Statement of Accounts.
- Significant assumptions used by the Authority in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the Statement of Accounts for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires adjustment or disclosure have been adjusted or disclosed.

Information provided

- I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you, the authority's auditors, are aware of that information.

- I have provided you with:
 - access to all information of which I am aware that is relevant to the preparation of the Statement of Accounts such as records, documentation and other matters, including minutes of the Authority and its committees, and relevant management meetings;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- So far as I am aware, there is no relevant audit information of which you are unaware.
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the Statement of Accounts.
- all information in relation to allegations of fraud, or suspected fraud, affecting the Authority's Statement of Accounts communicated by employees, former employees, analysts, regulators or others.
- all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing Statement of Accounts.

Accounting policies

I confirm that I have reviewed the Authority's accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of Statement of Accounts are appropriate to give a true and fair view for the authority's particular circumstances.

Fraud and non-compliance with laws and regulations

I acknowledge responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I have disclosed to you:

- the results of our assessment of the risk that the Statement of Accounts may be materially misstated as a result of fraud.
- all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - management;

I am not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations which provide a legal framework within which the Authority conducts its business and which are central to the authority's ability to conduct its business or that could have a material effect on the Statement of Accounts.

I am not aware of any irregularities, or allegations of irregularities including fraud, involving members, management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the Statement of Accounts.

The Authority pension fund has not made any reports to the Pensions Regulator nor am I aware of any such reports having been made by any of our advisors. I confirm that I am not aware of any late contributions or breaches of the schedule of contributions that have arisen which I considered were not required to be reported to the Pensions Regulator. I also confirm that I am not aware of any other matters which have arisen that would require a report to the Pensions Regulator.

There have been no other communications with the Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

Related party transactions

I confirm that we have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Section 3.9 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

We confirm that we have identified to you all senior officers, as defined by the Accounts and Audit Regulations 2011, and included their remuneration in the disclosures of senior officer remuneration.

Employee Benefits

I confirm that we have made you aware of all employee benefit schemes in which employees of the authority participate.

Contractual arrangements/agreements

All contractual arrangements (including side-letters to agreements) entered into by the Authority have been properly reflected in the accounting records or, where material (or potentially material) to the statement of accounts, have been disclosed to you.

Litigation and claims

I have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the statement of accounts and such matters have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Taxation

I have complied with UK taxation requirements and have brought to account all liabilities for taxation due to the relevant tax authorities whether in respect of any direct tax or any indirect taxes. I am not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest and I have made full disclosure regarding any Revenue Authority queries or investigations that we are aware of or that are ongoing.

In particular:

- In connection with any tax accounting requirements, I am satisfied that our systems are capable of identifying all material tax liabilities and transactions subject to tax and have maintained all documents and records required to be kept by the relevant tax authorities in accordance with UK law or in accordance with any agreement reached with such authorities.
- I have submitted all returns and made all payments that were required to be made (within the relevant time limits) to the relevant tax authorities including any return requiring us to disclose any tax planning transactions that have been undertaken the authority's benefit or any other party's benefit.
- I am not aware of any taxation, penalties or interest that are yet to be assessed relating to either the authority or any associated company for whose taxation liabilities the authority may be responsible.

Pension fund assets and liabilities

All known assets and liabilities including contingent liabilities, as at the 31 March 2013, have been taken into account or referred to in the Statement of Accounts.

Details of all financial instruments, including derivatives, entered into during the year have been made available to you.

Any such instruments open at the 31 March 2013 have been properly valued and that valuation incorporated into the Statement of Accounts.

The pension fund has satisfactory title to all assets and there are no liens or encumbrances on the pension fund's assets.

The value at which assets and liabilities are recorded in the net assets statement is, in the opinion of the authority, the market value. We are responsible for the reasonableness of any significant assumptions underlying the valuation, including consideration of whether they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the pension fund. Any significant changes in those values since the date of the Statement of Accounts have been disclosed to you.

Pension fund registered status

I confirm that the London Borough of Redbridge Pension Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

Bank accounts

I confirm that I have disclosed all bank accounts to you including those that are maintained in respect of the pension fund.

Using the work of experts

I agree with the findings of Wilks, Head & Eve LLP (“WHE”), experts in evaluating the valuation of the Authority’s property, plant and equipment and investment properties and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts and underlying accounting records.

This particularly applies to the assumptions that WH&E have used in not deducting purchaser costs from the gross capital value in their Existing Use Value or Market Value valuations, and the approach of apportioning land values using a percentage of building costs.

I agree with the findings of Hymans Robertson LLP (“Hymans Robertson”), experts in evaluating the valuation of the Authority’s pension fund liability and have adequately considered the competence and capabilities of the experts in determining the amounts and disclosures used in the preparation of the Statement of Accounts and underlying accounting records.

The Authority did not give or cause any instructions to be given to experts with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an impact on the objectivity of the experts.

Assets and liabilities

- The Authority has no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the Statement of Accounts.
- In my opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.
- The Authority has no plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
- The Authority has satisfactory title to all assets and there are no liens or encumbrances on the Authority’s assets, except for those that are disclosed in the Statement of Accounts.

- I confirm that we have carried out impairment reviews appropriately, including an assessment of when such reviews are required, where they are not mandatory. I confirm that we have used the appropriate assumptions with those reviews.

Provisions

- Provisions for depreciation and diminution in value including obsolescence have been made against property, plant and equipment on the bases described in the statement of accounts and at rates calculated to reduce the net book amount of each asset to its estimated residual value by the end of its probable useful life in the authority's business. In this respect I am satisfied that the probable useful lives have been realistically estimated and that the residual values are expressed in current terms.
- Full provision has been made for all liabilities at the balance sheet date including guarantees, commitments (in particular in relation to redundancy plans) and contingencies where the items are expected to result in significant loss. Other such items, where in my opinion provision is unnecessary, have been appropriately disclosed in the statement of accounts.

Retirement benefits

- All significant retirement benefits that the Authority is committed to providing, including any arrangements that are statutory, contractual or implicit in the authority's actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.
- All settlements and curtailments in respect of retirement benefit schemes have been identified and properly accounted for.
- The Authority participates in the Teachers' Pension Scheme that is a defined benefit scheme. I confirm

that the authority's share of the underlying assets and liabilities of this scheme cannot be identified and as a consequence the scheme has been accounted for as a defined contribution scheme.

Disclosures

- Where appropriate, the following have been properly recorded and adequately disclosed in the statement of accounts:
 - The identity of, and balances and transactions with, related parties.
 - Losses arising from sale and purchase commitments.
 - Agreements and options to buy back assets previously sold.
 - Assets pledged as collateral.
- I confirm that the Authority has recorded or disclosed, as appropriate, all formal or informal arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.
- I confirm that the Authority has recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and has disclosed in the statement of accounts all guarantees that we have given to third parties, including oral guarantees made by the Authority on behalf of an affiliate, member, officer or any other third party.

Items specific to Local Government

- I confirm that the Authority does not have plans to implement any redundancy/early retirement programmes other than those disclosed in note 22 to the Statement of Accounts for which we should have made provision in the Statement of Accounts.

- I confirm that the Authority has determined a prudent amount of revenue provision for the year under the Prudential Framework.
- I confirm that the Authority has determined a proper application of the statutory provisions for the neutralisation of the impact of Single Status provisions on the General Fund balance
- I confirm that the Authority has determined a proper application of the statutory provisions for the treatment of leases that have changed status on transition to IFRS.

Subsequent events

Other than as described in the Statement of Accounts, there have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the statement of accounts or in the notes thereto.

As minuted by the Policy and Resources Committee at its meeting on 19 September 2013.

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Director of Finance and Resources

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Date

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For and on behalf of the London Borough of Redbridge



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

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