Report to the Standards and Audit Committee

RUNNYMEDE BOROUGH COUNCIL

Audit Completion Report: Year ended 31 March 2019

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WELCOME
Introduction

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

This report updates the Committee of the findings and conclusions from the remaining issues from the audit that we brought to your attention on 23 July in our initial report dated 18 July.

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

We look forward to discussing these matters with you at the Standards and Audit Committee meeting and to receiving your input.

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

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

Leigh Lloyd-Thomas

22 November 2019

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. This report has been prepared solely for the use of the Standards and Audit Committee and those charged with governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

OVERVIEW
Executive summary

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

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

Overview

Our audit work has been completed and we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2019 following approval by the Council of the amended Statement of Accounts.

There were no significant changes to the planned audit approach and no additional significant audit risks have been identified.

No restrictions were placed on our work.

Audit report

We are proposing to issue an unmodified audit opinion on the Council and consolidated Group financial statements.

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

THE NUMBERS
Executive summary

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Final materiality

Final financial statements materiality was determined based on 1% of the value of gross assets on the balance sheet. Specific materiality on the Comprehensive Income and Expenditure Statement (CIES) was based on 2% of income.

Based on the draft financial statements we calculated our final materiality as:

- Group Materiality £9.9 million (Council £9.3 million)
- Specific CIES Group Materiality £1.6m (Council £1.5 million).

We set our clearly trivial threshold at £200,000 for the financial statements and £50,000 for CIES.

Corrected audit differences

We did not identify any material misstatements.

Management identified one adjustment to the draft accounts where council dwellings, previously recognised as assets under construction, have been reclassified as operational dwellings as they had been brought into service in October 2018 (£2.5 million). This also increased the depreciation charge for the year by £24,000.

Two further audit differences totalling £1.7 million have been corrected relating to the net pensions liability. This includes the liability in respect of the McCloud / GMP judgments and to correct the estimated share of scheme assets allocated to the Council.

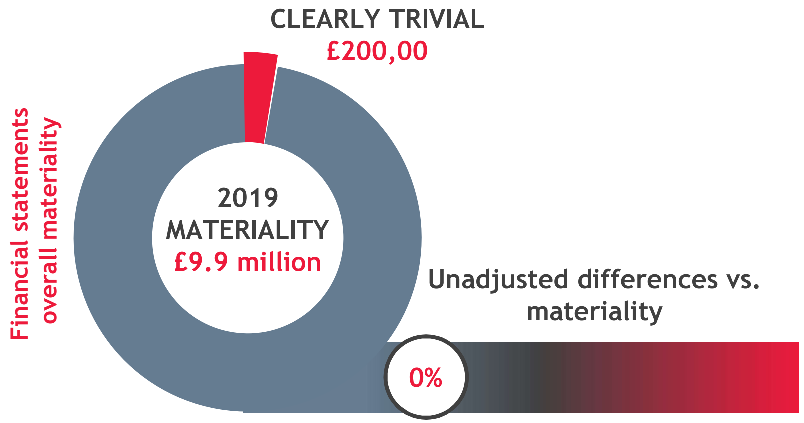
Management has made adjustments to the draft accounts that has reduced net assets by £1.757 million and decreased the surplus on the provision of services by £0.544 million.

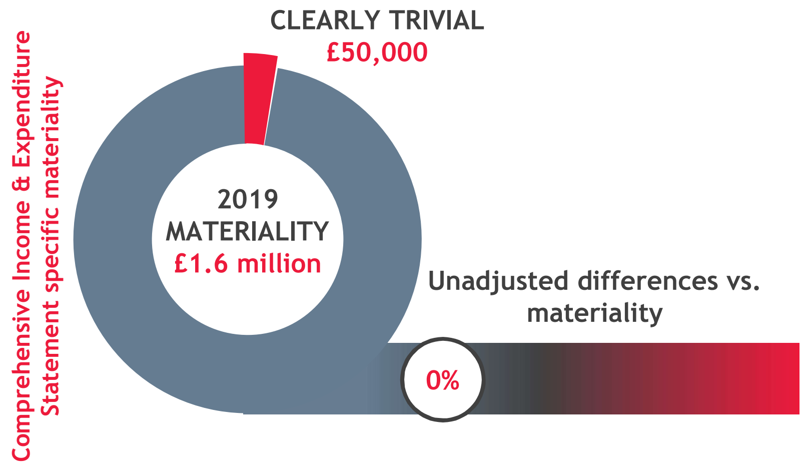
Unadjusted audit differences

There are no remaining unadjusted audit differences.

Audit scope

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





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Financial reporting

- We have not identified any non-compliance with group accounting policies or the CIPFA Code.
- No significant accounting policy changes have been identified impacting the current year. IFRS 9 financial instruments and IFRS 15 revenue from contracts with customers has not had a material impact.
- Going concern disclosures are deemed sufficient.
- The Narrative Report and other information included in the Statement of Accounts with the financial statements is consistent with the financial statements and our knowledge acquired in the course of the audit.
- The Annual Governance Statement is not inconsistent or misleading with other information we are aware of.
- We will complete our review of the Whole of Government Accounts Data Collection Tool (DCT) after we have completed our audit of the financial statements. We plan to issue our opinion on the consistency of the DCT return with the audited financial statements before the end of the year. Unfortunately this has missed the prescribed deadline from the Group Auditor. We have informed HMT of this.

Independence

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

AUDIT RISKS OVERVIEW

As identified in our Audit Plan dated 23 April 2019 we assessed the following matters as being the most significant risks of material misstatement in the financial statements. These include those risks which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit and the direction of the efforts of the engagement team.

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Audit Risk	Risk Rating	Significant Management Estimates or Judgement	Use of Experts Required	Error Identified	Significant Control Findings	Discussion points / Letter of Representation
Management override of controls	Significant	No	No	No	No	No
Revenue and expenditure recognition	Significant	No	No	No	No	No
PPE and investment property valuation	Significant	Yes	Yes	Yes, adjusted	No	No
Pension liability valuation	Significant	Yes	Yes	Yes, adjusted	No	To consider the impact of McCloud and GMP liabilities on pension liability
Provision estimate for share of NHS rates relief	Normal	No	No	No	No	To confirm the appropriateness of including the NHS appeals provision in the prior year
Allowance for non-collection of receivables	Normal	No	No	No	No	No
Related party transactions	Normal	No	No	No	No	No
Classification and measurement of financial instruments (IFRS 9)	Normal	No	No	No	No	No
Revenue from contracts with customers (IFRS 15)	Normal	No	No	No	No	No

Areas requiring your attention

MANAGEMENT OVERRIDE OF CONTROLS

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

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

Risk description

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

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

Work performed

We carried out the following planned audit procedures:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement due to fraud; and
- Obtained an understanding of the business rationale for significant transactions that were outside the normal course of business for the Council or that otherwise appeared to be unusual, if any.

Results

Our detailed testing of a sample of journals is substantially complete and work to date has not identified any significant issues.

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

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

REVENUE AND EXPENDITURE RECOGNITION

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

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

Risk description

Under auditing standards there is a presumption that there is a risk of fraud in revenue recognition. In particular, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).

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

Work performed

We carried out the following planned audit procedures:

- Tested a sample of grants included in income to documentation from grant paying bodies and checked whether recognition criteria had been met; and
- Tested a sample of expenditure either side of year end, to confirm that expenditure had been recorded in the correct period and that all expenditure that should have been recorded at year end had been.

Results

Our sample testing of revenue and capital grants confirmed that these were recognised when performance conditions attached to them had been satisfied.

Our testing has found that revenue and expenditure recognition is being recorded in the correct reporting period.

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

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

Risk description

Local authorities are required to ensure that the carrying value of land, buildings, dwellings and investment properties is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date. The Council engages a valuation expert to value these assets on a rolling five year programme. The assets are valued as at 31 March.

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

Work performed

We carried out the following planned audit procedures:

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

Results

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

Our work on the accuracy and completeness of asset information has been completed. We have raised a management finding on this on page 32. We have not identified any errors in our testing.

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

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PPE AND INVESTMENT PROPERTY 2

Significant estimate

Council dwellings at Open Market Value Social Housing (£294 million)

< lower valuation | > Higher valuation

Council dwellings are valued at open market value and adjusted to 33% of this valuation to reflect the discounted social rents charged to tenants. The adjustment reflects information provided by DCLG in 2016 for regional differences between market rents and social rents.

A flat rate 1.1% decrease in valuations has been applied to each property for 2018/19 (giving a total revaluation loss of £1.1 million after accounting for stock movements). We have compared this to house price indices, which show a national average increase of around 1.24% over the same period, with regional-specific indices showing a slight decrease. We have agreed the indices used by the Council to the source data and confirmed its accuracy and appropriateness.

The next full valuation in the Council's 5-year rolling programme will be in 2020 where individual Beacon properties will be revalued. The desktop exercise applied to all council dwellings carried out this year was reviewed for accuracy and the index used deemed appropriate. We are satisfied that council dwelling has been valued appropriately and the indexation applied this year is reasonable.

However, given the significance of the value and inherent uncertainty in applying indices over 5 years, we recommend that the valuer undertakes some 'spot checks' each year on a sample of Beacons to confirm that there has not been any material drift in the valuations in the dwellings between the formal valuations.

Community assets (£6.8 million)

< lower valuation | > Higher valuation

Community assets are mainly open spaces and recreation lands, with £4.8 million is held at historical cost but not depreciated because it is deemed to have an indefinite useful life, and £2 million last revalued at fair value in 2014/15. The Council reviews the position annually to ensure the carrying value of assets is not materially different to the current value.

We are content with this recognition criteria and assessment made by the Council.

Buildings at Depreciated Replacement Cost including leisure centres (£55 million)

< lower valuation | > Higher valuation

Leisure centres are valued at depreciated replacement cost using the existing gross internal area and estimated rebuild costs. This valuation is reduced to reflect the age and remaining useful economic life of the building. The majority of the revalued buildings value using DRC comprises the new Egham Leisure Centre completed in the year.

The new Egham leisure centre was valued in the year using rebuild costs per square metre based on the upper quartile BCIS regional prices, using floor plans and costs supplied from the commercial team. The cost of the rebuild was approximately £19 million and the revaluation using DRC is similar to within a trivial threshold as such we are satisfied that the revaluation is reasonable.

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Significant estimate

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Other land and buildings at Existing use value (£26 million)

< lower valuation | > Higher valuation

Other land and buildings valued at existing use current value has been revalued downwards by £97,895 (-6.25%).

MCSI regional capital growth indices (for buildings) show regional price movements of -9.5% for retail, -1.1% for office, and +9.6% for industrial, for the period Q1 2018 to Q1 2019 (as the effective date of the Council's valuations is 1 April 2019).

Valuations testing on other land and buildings has been completed and we are satisfied that the valuations applied are reasonable.

Surplus assets at existing use value (£14.8 million)

< lower valuation | > Higher valuation

Surplus assets have seen an overall revaluation decrease of £3.8 million (20%) whilst the MSCI Sector Capital (regional) index suggests a small decrease in values between Q1 2018 and Q1 2019 at the effective date of revaluation. An impairment charge of £500,000 has been recognised against surplus assets due to a flooding incident.

The difference is due to the majority of these assets being within the Addlestone One development and flats being made ready for letting in the 2018/19 year.

We have reviewed the valuation of the surplus assets and we are satisfied that the valuations applied are reasonable.

Assets under construction (£3.7 million)

< lower valuation | > Higher valuation

The Council carried Assets under Construction of £3.7 million as 31 March 2019 which is measured at cost and not depreciated until the asset becomes operational. This is following an adjustment of £2.5 million that has been reclassified as Council dwellings as at year end.

We have reviewed this adjustment and the classification of assets under construction and are content with their recognition and there are no indicators of impairment.

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Investment properties at fair value (£481 million)

< lower valuation | > Higher valuation

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

Investment properties have seen an overall increase in valuation of £3.268 million (1.16%) in year. MSCI Sector Capital (regional) index from the Gerald Eve report suggests a small decrease in values between Q1 2018 to Q1 2019 at the effective date of revaluation.

The Council has increased its portfolio of investment properties significantly in year with all new properties (£182 million of acquisitions) also being subject to revaluation at the year-end. We have focussed on all items with a high value NBV at the year end and a sample of other properties to determine our assurance over these valuations.

We have reviewed the assumptions used by the valuer against benchmark data and questioned further when assumptions fall outside of an expected range. We have tested input figures used back to source documentation when available, we have raised a recommendation to management on page 32 of this report in respect of this.

We are satisfied that the assumptions applied in the valuations are reasonable.

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

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

Risk description

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

Work performed

We carried out the following planned audit procedures:

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

Results

We have agreed the disclosures to the information provided by the actuary and identified no issues.

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

We have received a response from the pension fund auditor in response to our request for assurances over the controls operated by the administering authority over the accuracy of the membership data and the information communicated to the actuary to support the liability valuation at 31 March 2019. This provides assurance that controls over pensions data and information provided to the actuary are adequate.

PENSION LIABILITY VALUATION 2

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Pension liabilities (£147 million)

< lower valuation > Higher valuation

The Council's pension liability has increased from £135.052 million to £147.429 million and it's share of the scheme assets increased from £96.173 million to £102.563 million. The net deficit increased by £6 million to £44.866 million. The increased liability includes £7.567 million arising from changes to financial assumptions including annual salaries increases above CPI at 2.8% (previously 2.7%), annual pension increases of 2.5% (previously 2.4%), and a change in the rate of discounting scheme liabilities to 2.4% (previously 2.6%).

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

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

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

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

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McCloud age discrimination

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

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

The Council has obtained an updated valuation of the liability to take account of the impact of this ruling. This suggests that the Council's liability has increased by £282,000 (0.19% of the liability). This is lower than forecast by GAD using a worse case scenario due to using lower forecast future pay increases. This has been corrected in the financial statements.

GMP equalisation

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

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

The Council has obtained an updated valuation of the liability to take account of the impact of this ruling. This suggests that the Council's liability has increased by £241,000 (0.17% of the liability). This is lower than forecast by GAD using a worse case scenario due to using lower forecast future pay increases. This has been corrected in the financial statements.

Impact on other assumptions

A consequential impact of these adjustments has also increased the actuary's interest costs on liabilities by £7,000.

The total impact of these legal judgements has increased the Council's pension liability by £530,000.

Management has corrected for these amounts and we have reported this as an audit adjustment.

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PROVISION FOR BUSINESS RATE APPEALS

There is a risk of error in the provision recognised at the balance sheet date due to the level of estimation and uncertainty.

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

Risk description

The Council maintains a provision in the collection fund (and its share in the Council's balance sheet) to represent potential payments for business rate appeals. As at 31 March 2018 the Council held two significant provisions on the balance sheet, namely a provision of £3.6 million for historic appeals and £3.3 million for the NHS request for mandatory charitable rates relief. Both provisions require a high degree of estimation, increasing the risk of error to the financial statements.

Work performed

We carried out the following planned audit procedures:

- Reviewed management's assumptions and calculations behind the estimated provisions;
- Continue to monitor progress on the legal case brought by a number of NHS trusts; and
- Tested the completeness of the provision recognised as at the year end.

Results

Management has taken the decision that it is now unlikely that NHS trusts will be able to successfully appeal the Council's decision not to award mandatory relief for business rates and has released the entire amount relating to this part of the provision, resulting in a gain in respect of the Council's share of £3.312 million. We understand that the High Court is set to hear a challenge brought by 17 NHS trusts on 4 November but it is not clear when the judgement will be issued. The Local Government Association (LGA) is supporting the affected councils to defend this case and has obtained legal advice from counsel that states that these organisations are not charities and are not entitled to this relief.

We have accepted management's view based on the information provided by LGA that it is not probable that NHS trusts will be able to successfully claim mandatory relief and therefore the provision to refund overpaid business rates is no longer required, and that a contingent liability disclosure is appropriate.

We challenged management whether this should also have been the view in the previous year and whether the provision at 31 March 2018, based on the information available at that time, was incorrect since this may require a correction to the prior year financial statements. Management has asserted that it was reasonable to include a provision in the previous year based on it's understanding of the likelihood of having to repay NHS trusts. We note that we are not aware of other councils audited by BDO last year that included a provision but this position was accepted by your previous auditor. Furthermore, the Council has additionally benefited from this adjustment as Surrey councils agreed to a 100% business rate pooling arrangement in 2018/19 where all additional amounts are retained in full by the Council and Surrey County Council. We have requested specific representation from management on this issue.

PROVISION FOR BUSINESS RATE APPEALS 2

Significant estimate

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NDR appeals provisions (total collection fund £3.5 million and the Council's share 1.06 million)

< lower valuation | > Higher valuation

The NDR appeals provision (excluding NHS trusts mandatory relief appeals) in the collection fund has reduced by £5.3 million, from £8.7 million to £3.5 million at 31 March 2019. The Council's share has reduced by £2.5 million to £1.06 million.

This reduction in provision for successful appeals is driven mainly by a change in the success rate percentage applied to appeals. The Council has used 2.5% against billing to put aside for potential future repayments. This compares to the 4.7% CLG advised putting aside each year. The Council has considered this advice and met with other finance leads in the Surrey area and concluded that a percentage of between 2-3% was more appropriate based on local experience of appeals on the 2017 rating list.

We are satisfied that management's appeals rate of 2.5% is reasonable based on the reductions in appeals received against the 2017 rating list compared to the appeals on the 2010 and 2015 rating list used by CLG when estimating a potential appeals rate loss at 4.7%.

NON-COLLECTION OF RECEIVABLES

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There is a risk over the valuation of the allowance for the non-collection of arrears and debt.

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

Risk description

The Council recognises an allowance for the non-collection of receivables (arrears and debt), primarily in respect of it's share of business rates and council tax. There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.

The implementation of IFRS 9 financial instruments has also changed the basis for estimating losses for non-collection of receivables and debt from an incurred loss model to an expected credit loss model that takes in account assumptions about the future credit losses. However, this includes only receivables and debt deemed to be financial instruments and excludes receivables under statute such as council tax, NDR and parking charges that CIPFA has stated will continue to be accounted for on an incurred loss model.

Work performed

We carried out the following planned audit procedures:

- Reviewed the provision model for significant income streams and receivables and debt balances and assessed whether it appropriately reflected historical collection rates by age of debt or arrears.

Results

Our review of the appropriateness of the allowance for non-collection of receivables is noted on the following pages with details of the estimates and our view of their reasonableness.

We are content with the models used by the Council for the recognition of bad debt allowances.

NON-COLLECTION OF RECEIVABLES 2

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Council tax arrears (total collection fund £2.1 million and the Council's share £1.0 million)

< lower valuation > Higher valuation

The Council has recognised an allowance for non-collection in relation to its share of the council tax arrears of £96,000 against its share of the arrears of £1.028 million (total collection fund arrears is £2.116 million). The Council's provision has increased by £157,000 from the prior year. The provision is estimated using historic collection rate information from last 4 years.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of arrears.

NDR arrears (Total collection fund £10.7 million and the Council's share £2.9 million)

< lower valuation > Higher valuation

The Council has recognised an allowance for non-collection in relation to its share of the NDR business rates arrears of £573,000 against its share of the arrears of £2.890 million (total collection fund arrears is £10.674 million). The Council's provision has decreased by £91,000 from the prior year. The provision is estimated using historic collection rate information from last 4 years.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of arrears.

Council Tenants Arrears (£0.3 million)

< lower valuation > Higher valuation

The Council has recognised an allowance for non-collection of Council Tenant Arrears Debt of £190,000 on total debt of £332,000. This has increased by £34,000 from the prior year. The provision is estimated using a year end aged debtors report alongside a judgemental recovery scaled provided based upon historical recovery information.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

General Debtors (£3.5 million)

< lower valuation > Higher valuation

The Council has recognised an allowance for non-collection of general debtors of £1.203 million on total debt of £3.499 million. This has decreased by £6,000 from the prior year. The provision is estimated using a year end aged debtors report alongside a judgemental recovery scaled provided based upon historical recovery information.

We have reviewed the methodology and we are satisfied that this falls within reasonable range for non-collection of debt.

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There is a risk that related party disclosures are not complete and in accordance with the Code of Practice on Local Authority Accounting 2018/19 requirements.

- Significant risk
- **Normal risk** (selected)
- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant Control Findings
- Letter of Representation point

Risk description

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Standards and Audit Committee.

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

Work performed

We carried out the following planned audit procedures:

- Reviewed management processes and controls to identify and disclose related party transactions;
- Reviewed relevant information concerning any such identified transactions;
- Discussed with management and review councillors' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertook Companies House searches for potential undisclosed interests.

Results

We are satisfied that there are sufficient controls and processes in place to identify all material related party transactions and the necessary disclosure have been made in the 2018/19 accounts. Our work did not identify any related party transactions that have not been adequately disclosed in the accounts.

CLASSIFICATION OF FINANCIAL INSTRUMENTS (IFRS 9)

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There is a risk that financial instruments are not classified and measured in accordance with new financial reporting standard.

- Significant risk
- **Normal risk** (selected)
- Significant management judgement
- Use of experts
- Unadjusted error
- Adjusted error
- Additional disclosure required
- Significant Control Findings
- Letter of Representation point

Risk description

IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and loans provided to others) and liabilities (principally borrowing) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.

There is a risk that relevant financial assets and liabilities are not classified and measured in accordance with the new accounting standard. There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the requirement of the new standard.

Work performed

We carried out the following planned audit procedures:

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

Results

We are satisfied with the Council's assessment and classification of financial instruments under IFRS 9.

Under IFRS 9 the recognition category of Available For Sale has been removed. The Council have therefore closed the unusable reserve account know as the AFS reserve and recognised changes in value through the Pooled Investment Funds Adjustment Account. The Council's financial assets are predominately recognised at amortised cost where the business model is to hold investments to collect contractual cash flows. The Council also hold a smaller proportion of their financial assets at Fair Value Through Profit and Loss, this includes the CCLA Diversified Income Fund and Property Fund.

The Council has appropriately recognised and disclosed sufficiently all changes following the adoption of the new standard.

REVENUE FROM CONTRACTS (IFRS 15)

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

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

Risk description

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

There is a risk that relevant revenue streams are not recognised in the financial statements in accordance with the new standard. There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the requirement of the new standard.

Work performed

We carried out the following planned audit procedures:

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

Results

The review carried out by the Council was comprehensive and our assessment has indicated that no material revenue streams require updated recognition criteria.

The Council has included sufficient disclosure within their financial statements on the new accounting standard.

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

Issue	Comment
We found presentational and classification errors in the cash flow statement between operating activities and investing activities for investments made and repaid.	This has been corrected by management.
In previous years, the Code has required that debtors and creditors should be presented by analysis of the type of counter party, such as amounts due from Government etc. This year, the Code has removed this requirement and refers to IAS 1 presentation of financial statements and provides an example in the template financial statements, showing an analysis (for receivables) by trade customers, receivables from related parties, prepayments and other amounts.	This has been corrected by management.
As part of the revised pension liability report from the actuary, we note that the actuary has decreased the Council's share of the pension fund assets from £102.563 million to £101.360 million, a decrease of £1.203 million.	The updated actuary's report to include the final share of pension fund assets impacts on the net pension liability in the balance sheet but does not impact on the reported CIES deficit of the provision of services, as these actuarial movements to fund valuations are reported through the Other Comprehensive Income section of the CIES. Management has corrected this in the financial statements.

MATTERS REQUIRING ADDITIONAL CONSIDERATION

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Fraud

Whilst the members and Corporate Director of Resources have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit procedures did not identify any fraud.

Laws and regulations

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

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

Internal audit

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

Group matters

We were not required to issue group instructions to the component auditors as the transactions and balances recorded for group entities are controlled by the Council and we were able to directly audit these.

We have no matters to report on the review of the Council's subsidiaries.

UNADJUSTED AND ADJUSTED AUDIT DIFFERENCES: SUMMARY

Summary for the current year

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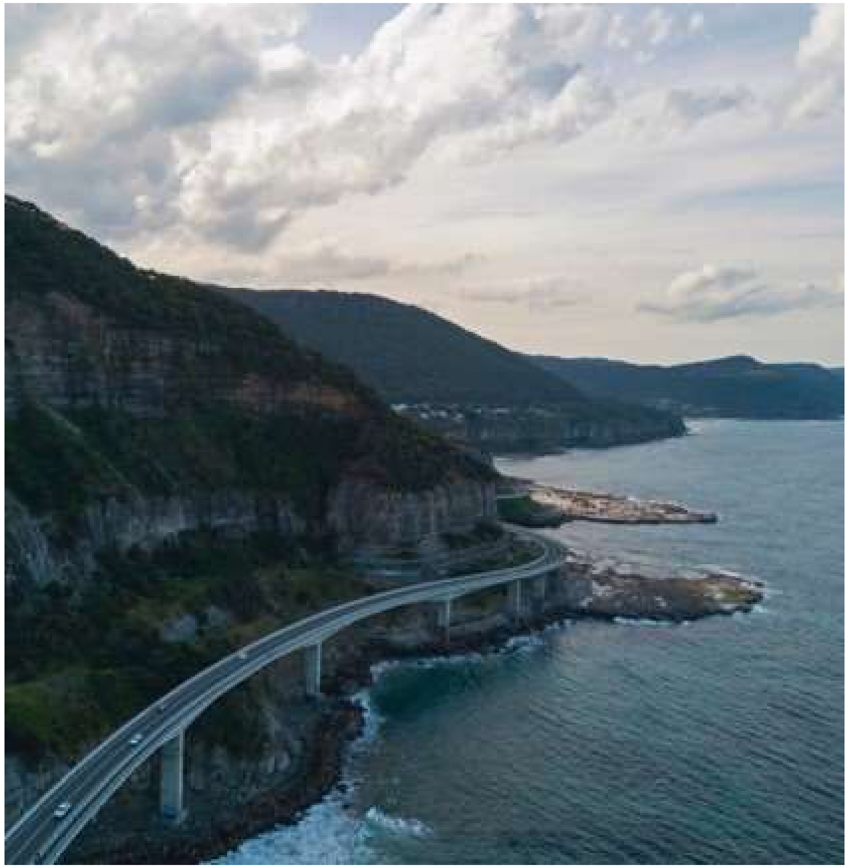

Adjusted differences have been corrected by the Council and will show as differences between the draft accounts published on 31 May and the audited financial statements.

Management identified one adjustment to the draft accounts where council dwellings, previously recognised as assets under construction, have been reclassified as operational dwellings as they had been brought into service in October 2018 (£2.5 million). This also increased the depreciation charge for the year by £24,000.

Two further audit differences totalling £1.7 million have been corrected relating to the net pensions liability. This includes the liability in respect of the McCloud / GMP judgments and to correct the estimated share of scheme assets allocated to the Council.

Management has made adjustments to the draft accounts that has reduced net assets by £1.757 million and decreased the surplus on the provision of services by £0.554 million.

The pensions corrections are not proper charges to the General Fund under statutory adjustment provisions, and will only be charged to the General Fund when the cash is paid to the pension scheme following the next triennial valuation and the amended rates and contributions schedule to be agreed with the actuary.

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

There are no remaining unadjusted audit differences.

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ADJUSTED AUDIT DIFFERENCES: DETAIL

Details for the current year

	Council					Group				
	Income and expenditure			Balance sheet		Income and expenditure			Balance sheet	
Adjusted audit differences	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000	CIES £'000	DR £'000	(CR) £'000	DR £'000	(CR) £'000
Surplus on the provision of services before unadjusted audit differences / net assets	**(4,753)**			**323,708**		**(5,706)**			**325,314**	
1. Transfer of council dwellings from AuC to correct asset category										
DR Council dwellings				2,529					2,529	
CR Assets under construction					2,529					2,529
2: Recognition of depreciation charge on transfer of assets										
DR HRA Expenditure		24					24			
CR Accumulated depreciation	24				24	24				24
3: Pension liability										
DR Past service costs / interest	530	530				530	530			
CR Net pension liability					530					530
4: Share of pension assets										
DR Pension reserves				1,203					1,203	
CR Net pension liability					1,203					1,203
Total adjusted audit differences	**554**			**(1,757)**		**554**			**(1,757)**	
Surplus on the provision of services after adjustments / net assets	**(4,199)**			**321,951**		**(5,152)**			**323,557**	

REPORTING ON OTHER INFORMATION

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

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

WHOLE OF GOVERNMENT ACCOUNTS

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

AUDIT RISKS OVERVIEW

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

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

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

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

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

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

SUSTAINABLE FINANCES

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

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

Risk description

In January 2018, the Council set a Medium Term Financial Strategy (MTFS) covering the period 2018 to 2021. The MTFS is showing a call on the General Fund working balance greater than planned for 2017/18 to 2020/21 but in 2021/22 the General Fund revenue account returns to a surplus. The Council has planned for and has made significant savings through efficiency programmes but this has been more than offset by an increase in need since the Government's reduction in funding since 2015/16. Going forward the Council is expecting to receive significant capital receipts in 2018/19 from the Addlestone One development which will be retained to fund unforeseen capital expenditure over the next four years.

Work performed

We carried out the following planned audit procedures:

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

Results and conclusion

The Council has made a concerted effort to ensure efficiency savings were met over the past few years and delivered savings of £6 million in recent years. The Council's strategy to invest in the area and regenerate Addlestone is planned to bring returns through rental income that will be able to off-set the reduction in Government funding. This carries with it increased risk and exposure to economic downturns and the Council has recognised this and increased its General Fund reserves by £2.7 million and maintained its working balance at £3.9 million.

The budget for 2019/20 shows a surplus of income over expenditure with a reduction of £1.179 million of the General Fund expected compared to 2018/19. The budget has modelled further reductions of 22% in Government funding over the coming years which could lead to service pressure on Runnymede Council in order to manage resources. The Council will partially offset this with an increase in council tax over the same period of time.

The Council faces challenges in relation to Property Investment Plans with yields with acquisitions hardening during the year. The Council seeks to maintain a low risk investment strategy that also maximises the yield on investments and cash flows.

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

CONTROL DEFICIENCIES AND RECOMMENDATIONS

We are required to report to you, in writing, 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 the Standards and Audit Committee.

As the purpose of the audit is for us to express an opinion on the Group and the Council's financial statements and use of resources, 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.

Area	Observation & implication	Recommendation	Management response
Cash Reconciliations	Cash and bank account reconciliations are currently excessively complicated and performed by one staff member by hand. This is not deemed to be the most efficient method for reconciling cash accounts and there is a higher risk for human error that won't be picked up at the review phase. The knowledge information on the performance of these reconciliations is also locked with one person and this is currently not easily transferrable.	A review into the process would be recommended with the output to enable the a more streamlined but no less effective reconciliation process that reduces the risk of human error and can be transferred to other officers when needed.	The way we carry out the current bank reconciliation is cumbersome, time consuming but highly effective. The Council is about to start the implementation of a new Income Management System and a review of the reconciliation process will be undertaken once this is in place to see where the new system can help us streamline and/or automate the process. Whilst several officers know how to undertake some of the constituent parts of the current reconciliation process, a second person is currently being trained to undertake the full reconciliation.
Property Valuations	There were some difficulties this year in the year end property valuation process. Miscommunication between the Council and the valuers meant that a lot of assumptions had to be built into the valuation report. These assumptions were then queried by the Council when the valuation report was received. Without effective dialogue between the Council and the valuers there is a risk that valuation figures are materially incorrect in the financial statements.	We are aware that the valuation contract is up for renewal. We would encourage the Council to ensure processes are in-place to create an effective dialogue between the Council and the valuers. We suggest the Council also creates and effective in-house communication line between all relevant parties including Commercial Services and Finance.	The main problem encountered this year has been a lack of communication by the external valuer and a reluctance to discuss/resolve any issues by means other than email. In order to address this, the valuation tender process currently being undertaking places greater emphasis on quality and regular communication updates throughout the valuation process. It may also be possible to give the new valuer access to the new property system (Concerto) to allow them to resolve any issues more expediently.

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Area	Observation & implication	Recommendation	Management response
Dwellings valuations	There is inherent uncertainty in applying indices over 5 years for council dwelling valuations and 'spot checks' should be undertaken on a sample of Beacons each year.	We recommend that the valuer undertakes some 'spot checks' each year on a sample of Beacons to confirm that there has not been any material drift in the valuations in the dwellings between the formal valuations.	A new external valuation contract commenced in October 2019 with each property now being revalued at least once over a 4 year period to ensure the figures are accurate for longer. A full valuation of the Dwellings is currently being undertaken in preparation for the 2019/20 accounts and we will look at developing a rolling "spot check" approach in the future with our new valuers Wilks Head & Eve LLP.

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Opinion on financial statements

We anticipate issuing an unmodified opinion on the Group and the Council financial statements.

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

Conclusion on use of resources

We anticipate issuing an unqualified use of resources conclusion.

Conclusion relating to going concern

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

Other information

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

Annual Governance Statement

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

INDEPENDENCE

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

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

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

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

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

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

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

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

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

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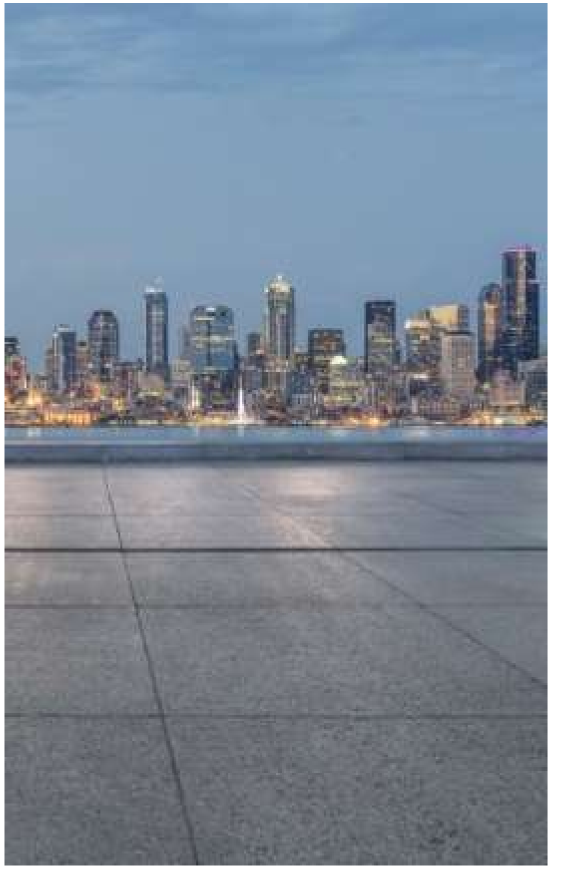
FEES

Fees summary	2018/19 Actual £	2018/19 Planned £	2017/18 Actual £
Audit fee			
• Code audit fee	**TBC**	[1] **34,754**	**45,135**
Non-audit assurance services	**TBC**	**9,458**	**11,220**
Fees for reporting on government grants:			
• Housing benefits subsidy claim	Work ongoing	7,208	8,970
• Pooling of housing capital receipts return	Work not started	2,250	2,250
Total fees	**TBC**	**44,212**	**56,355**

[1] PSAA has set the 2018/19 fee scale at £34,754 on the basis that individual fees for all opted-in bodies have been reduced by 23 percent from the fees applicable scale fee for 2017/18 of £45,135. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA is making in its own operating costs.



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RESPONSIBILITIES AND REPORTING

Responsibilities and reporting

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Our responsibilities and reporting

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

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

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

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

What we don’t report

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

ADDITIONAL MATTERS WE ARE REQUIRED TO REPORT

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

COMMUNICATION AND REPORTS ISSUED

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Those Charged with Governance (TCWG)

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

Communication, meetings and feedback

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

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

Communication	Date (to be) communicated	To whom
Audit Plan	30 May 2019	Standards and Audit Committee
Initial Audit Completion Report	18 July 2019	Standards and Audit Committee
Final Audit Completion Report	22 November 2019	Standards and Audit Committee
Annual Audit Letter	December 2019	Standards and Audit Committee

AUDIT REPORT

Attached as a separate document

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUNNYMEDE BOROUGH COUNCIL

Opinion on the financial statements

We have audited the financial statements of Runnymede Borough Council ("the Council") and its subsidiaries ("the group") for the year ended 31 March 2019 which comprise the Council and group Comprehensive Income and Expenditure Statement, the Council and group Movement in Reserves Statements, the Council and group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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Matters on which we are required to report by exception

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

Responsibilities of the Chief Finance Officer and the Council

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which comprises the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's and group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations of the Council or group or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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Auditor's responsibilities in respect of the Council's use of resources

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the Council and group financial statements or on our use of resources conclusion.

Use of our report

This report is made solely to the members of Runnymede Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Leigh Lloyd-Thomas
For and on behalf of BDO LLP, Appointed Auditor
London, UK

xx November 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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BDO is totally committed to audit quality

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

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

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

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

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

LETTER OF REPRESENTATION

Client name and Letter headed paper

BDO LLP
55 Baker Street
London
WIU 7EU

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Dear Sirs

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

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

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

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

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

Going concern

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

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

Laws and regulations

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

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Post balance sheet events

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

Fraud and error

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

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

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

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

Misstatements

You have not advised us of any remaining unadjusted misstatements in the financial statements.

Related party transactions

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

Other than as disclosed in note 28 to the financial statements, there were no loans, transactions or arrangements between any Group entity and Council members or their connected persons at any time in the year which were required to be disclosed.

Carrying value and classification of assets and liabilities

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

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Accounting estimates

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

a) Pension fund assumptions

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

Rate of inflation (CPI):	2.5%
Rate of increase in salaries:	2.8%
Rate of discounting scheme liabilities:	2.4%
LGPS commutation take up option:	
Pre-April 2008	25%
Post-April 2008	63%

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

b) Valuation of housing stock, other land and buildings and investment properties

We are satisfied that the useful economic lives of the housing stock and other land and buildings, and their constituent components, used in the valuation of the housing stock and other land and buildings, and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to council dwellings and other land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

Where investment properties cannot be assessed as level 1 we are satisfied that they have been appropriately assessed as level 2 on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax arrears, NDR arrears, housing benefit overpayments, housing rent arrears and parking charges are reasonable, based on collection rate data.

d) NHS business rate appeals provision

We have considered the purpose of the NHS business rates provision included in our financial statements in the prior year. We confirm that as at 31 March 2018 with the available information we were content to recognise a provision against overpayment of business rates. We confirm that this provision is no longer required based on our future expectations and has been released for the year to 31 March 2019.

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Litigation and claims

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

Confirmation

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

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

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

Yours faithfully

Peter McKenzie

Director of Finance

Date

FOR MORE INFORMATION:

Leigh Lloyd-Thomas

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e: leigh.Lloyd-thomas@bdo.co.uk

www.bdo.co.uk