



Private & Confidential  
KPMG LLP  
One Snowhill  
Birmingham  
B4 6GH

My ref.: DC/MT 2017- 2  
Your Ref.:  
Tel.:  
Date: 17 August 2017

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Sandwell Metropolitan Borough Council (“the Council”), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of the Council’s expenditure and income for the year then ended; and
- ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Expenditure and Funding Analysis, the Council Movement in Reserves Statement, the Council Comprehensive Income and Expenditure Statement, the Council Balance Sheet, the Council Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes (including the Expenditure and Funding Analysis).

**SANDWELL METROPOLITAN BOROUGH COUNCIL**  
P.O. Box 2374, Sandwell Council House, Oldbury, West Midlands. B69 3DE  
Darren Carter – Executive Director of Resources  
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The Council confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Council confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

### **Financial statements**

1. The Council has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Council as at 31 March 2017 and of the Council's expenditure and income for the year then ended;
  - ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial to the financial statements as a whole. There is one uncorrected misstatement, in relation to the Housing Revenue Account calculation for interest, whereby £0.778m had been overcharged.

5. In respect of the prior period adjustment for Rowley Learning Trust schools made to correct a material misstatement in the prior period financial statements, the effect of which was to bring onto the Council balance sheet 5 schools previously omitted and resulting in an increase in Property, Plant and Equipment of £17.582m, the Council confirms that the restatement is appropriate.

### **Information provided**

6. The Council has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Council for the purpose of the audit; and
- unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

7. All transactions have been recorded in the accounting records and are reflected in the financial statements.

8. The Council confirms the following:

- i) The Council has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Council has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Council and involves:
- management;

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- employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Council acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Council acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

9. The Council has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
10. The Council has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
11. The Council has disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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12. The Council confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Council's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Council to continue as a going concern.

13. On the basis of the process established by the Council and having made appropriate enquiries, the Council is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) Employee Benefits.

The Council further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
  - statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - funded or unfunded; and
  - approved or unapproved,

have been identified and properly accounted for;

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for;
- c) the Council has reviewed the information provided to, and the assumptions used by, the Pension Fund's Actuary for its admitted members as part of the Triennial valuation of the Pension Fund, and the Council is satisfied that the

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assumptions and information used is appropriate and relevant to the Council. Assumptions include but are not limited to financial demographics, workforce, pay, and employee benefits.

This letter was tabled and agreed at the meeting of the Audit Committee on 17 August 2017.

Yours faithfully

Chair of the Audit Committee

Chief Financial Officer