

Grant Thornton UK LLP
Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

**Sandwell Metropolitan Borough Council
Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of Sandwell Metropolitan Borough Council and its subsidiary undertakings, Sandwell Children's Trust and Sandwell Land and Property Company for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the [group and] Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in the appendix. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 7 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.
- xvi. We have considered the legal issues with regard to the issues of shares issued SLAP as documented on pages 24-26 of the External Auditors report. We consider that it is appropriate for the Council to recognise a contingent liability with regard to any claim by the company against the Council for the incorrect issues of shares by the company. We do not consider that the Council will be liable to make any claim made by the company.
- xvii. We have reviewed the accounting with regard to SLAP. We consider that it is appropriate for the Council to recognise school buildings on its balance sheet as at 31 March 2019 despite the buildings having been transferred to SLAP in return for the issue of shares

Information Provided

- xviii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xix. We have communicated to you all deficiencies in internal control of which management is aware.
- xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 3 September 2020.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

Appendix

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
	<u>Depreciation</u> Difference between methodology used compared to valuers report. UEL as per valuer resulted in an overstatement of depreciation totalling £1m	(£1,100)	£1,100	(£1,100) reduction in expenditure as overstated	Estimated impact is not considered material
1	<u>Note 10</u> A rolling programme of valuations is carried out. The assets not valued in year as part for this programme are likely to be understated by £5.1m		Non-Current Assets £5,100 Revaluation Reserve (£5,100)		Not material
2	<u>Investment Properties</u> A Comparison of the revaluation movement carried out by the councils valuer compared to indices used by the auditor valuer Gerald Eve identified a difference of £6.8m being an understatement of the balance sheet. This is split between valued assets totalling £3.8m and unvalued assets totalling £3m	(£6,800)	Non-Current Assets £6,800	£nil	Officers considered the valuations carried out by the council's valuation expert to be reliable and the difference not to be material
3	<u>Difference between balance sheet and valuers report</u> <i>Investment Properties</i> – difference between the balance sheet and the valuers report suggesting the balance sheet is overstated by £604k <i>Other Land and Buildings</i> -Variance identified between the balance and valuers report suggesting the balance sheet is overstated by £214k	£604	Non-Current Assets (£604) Non-Current Assets (£284) Revaluation Reserve £865		Difference considered to be immaterial

Appendix cont.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
4	<p><u>Difference between balance sheet and valuers report</u></p> <p><i>Investment Properties</i> – difference between the balance sheet and the valuers report suggesting the balance sheet is overstated by £604k</p> <p><i>Other Land and Buildings</i> -Variance identified between the balance and valuers report suggesting the balance sheet is overstated by £214k</p>	£604	<p>Non-Current Assets (£604)</p> <p>Non-Current Assets (£284)</p> <p>Revaluation Reserve £865</p>		Difference considered to be immaterial
5	<p><u>Perryfield Academy</u></p> <p>An extension to the school had not been valued as part of the 2017/18 and 2018/19 valuations. This resulted in an understatement of the 2018/19 valuation of £2.1m</p>		<p>Non Current Assets £2,100</p> <p>Revaluation Reserve (£2,100)</p>		2018/19 valuation has not been updated so the adjustment is an estimate and not considered to result in a material misstatement
6	<p><u>Debtors</u></p> <p>Large balances of aged debt were included in the debtors balance of which £2.8m was unchanged year on year. There is no corresponding bad debt provision for £1.3m of this debt.</p> <p>Debtor balances will be reviewed by the CFO and write offs will be recommended where appropriate</p>	£1,341	<p>Short Term Debtors (£1,341)</p>	£1,341 increase in provision charged to CIES	Movement considered to be immaterial

Appendix Cont.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
7	<u>Council Tax Arrears</u> £6.1m of debts relating to pre 2013/14 which are likely uncollectable. These have been provided for 100% there would be no impact to the accounts.			Fully provided for	This is still being collected in small amounts and is therefore still collectable.
8	<u>Creditors</u> There is no evidence for a receipt in advance of £3.8m for council tax. Much of the balance appears to be over 2 years old.	(£3,800)	Creditors (£3,800) General Fund £3,800	Reduction in expenditure (£3,800)	Balance considered to be immaterial and Officers did not consider necessary to support this balance as the report cannot be re-run after the year end
9	Errors identified in testing of creditors items – extrapolated error	(£1,300)	Creditors (£1,300) General Fund £1,300	Reduction in expenditure (£1,300)	Immaterial and extrapolated figure is too crude to apply
10	<u>PFI</u> Differences between accounting models and the balance sheet for Total Schools, Rowley BSF and Portway		PFI Long Term Creditors (£1,891) (£1,305) CAA £3,196	(£3,196)	Further analysis to be carried out to confirm balances in 2019/20
	Overall Impact	(£11,055)	£14,235		

