

# Public Document Pack



## Agenda Supplement

Dear Councillor

### **AUDIT, SCRUTINY AND TRANSFORMATION COMMITTEE - MONDAY, 7TH MARCH, 2016**

I am now able to enclose, for consideration at next Monday, 7th March, 2016 meeting of the Audit, Scrutiny and Transformation Committee, the following reports that were unavailable when the agenda was printed.

<b>Agenda No</b>	<b>Item</b>
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- |    |  |
|----|--|
| 4. | <b><u>External Audit Plan 2015/2016 (Pages 3 - 20)</u></b>                   |
| 9. | <b><u>Update on Revenues and Benefits Shared Service (Pages 21 - 24)</u></b> |

Yours sincerely

Head of Paid Service

Encs



**7 March 2016**

**Audit, Scrutiny and Transformation Committee**

**Audit Plan 2015/16**

**Report of:** *Ernst & Young*

**Wards Affected:** *None*

**This report is:** *Public*

## **1. Executive Summary**

- 1.1 The Audit Plan sets out how Ernst & Young intend to carry out their responsibilities as the Council's External Auditor.
- 1.2 This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

## **2. Recommendation(s)**

- 2.1 Members are requested to note the External Audit Plan 2015/2016.**

## **3. Introduction and Background**

- 3.1 The Audit Plan covers the work that is planned in order to provide the Council with:
  - An audit opinion on whether the financial statements of Brentwood Borough Council give a true and fair view of the financial position as at the end of 31 March 2016 and of the income and expenditure for the year then ended; and
  - A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

## **4. Issue, Options and Analysis of Options**

- 4.1 The audit will consider several key inputs:
  - Strategic, operational and financial risks relevant to the financial statements

- Developments in financial reporting and financial standards
- The quality of systems and processes.
- Changes in the business and regulatory environment.
- Management's views on all of the above.

4.2 The External Audit Plan 2015/2016 is attached in Appendix A.

## **5. Reasons for Recommendation**

5.1 The Audit Plan will inform the statutory audit opinion.

## **6. Reference to Corporate Plan**

6.1 Good financial management underpins all priorities within the Corporate Plan.

## **7. Implications**

### **Financial Implications**

**Name & Title:** Chris Leslie, Finance Director

**Tel & Email:** 01277 312542 / christopher.leslie@brentwood.gov.uk

7.1 There are no direct financial implications arising from this report.

### **Legal Implications**

**Name & Title:** Daniel Toohey, Monitoring Officer

**Tel & Email:** 01277 312860 / daniel.toohey@brentwood.gov.uk

7.2 None.

## **8. Appendices to this report**

Appendix A – Audit Plan

### **Report Author Contact Details:**

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# Brentwood Borough Council

Year ending 31 March 2016

Audit Plan

7 March 2016

Ernst & Young LLP



Audit, Scrutiny and Transformation Committee  
Brentwood Borough Council  
Town Hall  
Ingrave Road  
Brentwood  
Essex  
CM15 8AY

7 March 2016

Dear Committee Members

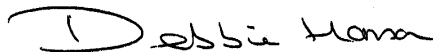
## **Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit, Scrutiny and Transformation Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 7 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Debbie Hanson

*For and behalf of Ernst & Young LLP*  
*Enc*

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psaa.co.uk\)](http://www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## 1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Brentwood Borough Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

We will provide an update to the Audit and Scrutiny Committee on the results of our work in our report to those charged with governance scheduled for delivery in July 2016.



## 2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<b>Risk of management override</b>	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>▶ Reviewing accounting estimates for evidence of management bias, and</li> <li>▶ Evaluating the business rationale for significant unusual transactions</li> <li>▶ Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</li> </ul>

### 2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

### 3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2015/16 this is based on the overall evaluation 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"*

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

*"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"*

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

We are currently undertaking our risk assessment and will consider both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. Our work to date, which is still in progress, has not identified any risks which we view as relevant to our value for money conclusion. We update our risk assessment throughout our audit, and will update the Audit, Scrutiny and Transformation Committee on any resulting changes.

## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

#### 1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

#### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

### 4.2 Audit process overview

#### Processes

We plan to undertake a fully substantive audit for 2015/16. We believe this to be the most efficient approach to gaining assurance over the Council's financial statements. Although we are not intending to rely on the control processes established within individual systems, the overarching control arrangements established by the Council form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement. We will review the work completed by internal audit as part of this element of our work.

#### Analytics

We will use our computer-based analytics tools [tailor as appropriate] to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

#### Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit planning, where they raise issues that could have an impact on the year-end financial statements.

## Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where we expect either EY or third party specialists to provide input for the current year audit are:

Area	Specialists
Property valuations	Management's expert (valuer); EY valuation team
Pension fund liability	Management's expert (pension fund actuary); EY pension team.
Non Domestic Rates Appeals Provision	Management's expert (Analyse Local)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

## 4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

### Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements;
- ▶ Auditor independence.

### Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and

- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

## 4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £1.01 million based on 2% of gross operating expenditure. We will communicate uncorrected audit misstatements greater than £0.51 million to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

## 4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Brentwood Borough Council is £68,006.

## 4.6 Your audit team

The engagement team is led by Debbie Hanson, who has significant experience on Brentwood Borough Council. Debbie is supported by Christine Connolly who is responsible for the day-to-day direction of audit work and is the key point of contact for the Finance Director and key accountancy personnel.

## 4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit, Scrutiny and Transformation Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit, Scrutiny and Transformation Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
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High level planning	<b>April 2015</b>	<b>June 2015</b>	Audit Fee Letter
Risk assessment and setting of scopes	<b>January/February 16</b>	<b>March 16</b>	Audit Plan
Testing routine processes and controls	<b>March/April 15</b>		
Year-end audit and completion of audit	<b>June/July 2016</b>	<b>July 2016</b>	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; [our opinion on the regularity of your expenditure and income]; and, [by exception] overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	<b>September 2016</b>	<b>September 2016</b>	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 5. Independence

### 5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed in appropriate categories.

### 5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

#### ***Self-interest threats***

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

In 2014/15, we performed the procedures agreed with the Council in respect of its Pooling of Housing Capital Receipts return. Our engagement was undertaken in accordance with the International Standard on Related Services 4400 applicable to agreed-upon procedures engagements. The level of non-audit fees as a percentage of audit fees is approximately 4.7%. On this basis, we considered that no additional safeguards were required to maintain the independence of our engagement team.

Should the Council engage us to undertake this work in 2015/16 the ratio of non-audit fees to audit fees will be broadly similar to that in 2014/15. On this basis, we would again consider that no additional safeguards would be required to maintain the independence of our engagement team.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

#### ***Self-review threats***

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

#### ***Management threats***

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

#### ***Other threats***

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

#### ***Overall Assessment***

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, the audit engagement Director and the audit engagement team have not been compromised.

### **5.3 Other required communications**

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>



## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £	Explanation
Opinion Audit and VFM Conclusion	68,006	68,006	90,675	Reflects 25% reduction in fees as set by the PSAA
<b>Total Audit Fee – Code work</b>	<b>68,006</b>	<b>68,006</b>	<b>90,675</b>	
Certification of claims and returns <sup>1</sup>	18,070	18,070	38,087	2014/15 outturn includes additional fee for increased testing in year. This additional fee needs to be approved by the PSAA. 2015/16 fee reflects a 25% reduction compared to 2013/14 fees as agreed by the PSAA.
Non-audit work	3,175	n/a	n/a	We undertook Agreed-upon Procedures in relation to the Council's Pooled Capital Receipts return

*All fees exclude VAT.*

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

<sup>1</sup> Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the [Audit Committee]. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	▶ Report to those charged with governance
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	▶ Report to those charged with governance
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Audit, Scrutiny and Transformation Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	▶ Report to those charged with governance
<p><b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	▶ Report to those charged with governance
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	▶ Report to those charged with governance
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit, Scrutiny and Transformation Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Scrutiny and Transformation Committee may be aware of</li> </ul>	▶ Report to those charged with governance

Required communication	Reference
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<ul style="list-style-type: none"> <li>▶ Report to those charged with governance</li> </ul>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<ul style="list-style-type: none"> <li>▶ Audit Plan</li> <li>▶ Report to those charged with governance</li> <li>▶ Annual Audit Letter if considered necessary</li> </ul>
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>

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7 March 2016

## Audit, Scrutiny & Transformation Committee

### Transformation of the Revenues & Benefits Service - Update

**Report of:** *Helen Gregory, Acting Head of Housing & Benefits*

**Wards Affected:** *All*

**This report is:** *Public*

#### **1. Executive Summary**

- 1.1 The Council, faced with financial pressures to cut costs whilst continuing to transform and improve services agreed to undertake a full service review of the Revenues & Benefits Service in September 2014.
- 1.2 The first stage of 'Phase 1' of the Revenues & Benefits service review was the introduction of a partnership arrangement with Basildon Borough Council. This was approved by the Finance & Resources Committee on the 11<sup>th</sup> February 2015. This included a recommendation that a review of the Revenues & Benefits Partnership be undertaken by the Audit & Scrutiny Committee 12 months after the agreement came into effect.
- 1.3 The aim of the partnership was to provide a number of benefits including a single joint management structure, sharing of specialist/support staff, aligning of contracts and joint procurement and share a single hosted, resilient, IT Platform.
- 1.4 The second stage of 'Phase 1' of the service review was a complete restructure of the Revenues & Benefits service. This was approved by the Policy, Finance & Resources Committee on the 30<sup>th</sup> June 2015 with the view of providing a flatter, leaner structure, with less top tier management but greater numbers of officers who are empowered to fulfil their roles to enhance the service we provide to customers.
- 1.5 Details of the progress of the Partnership arrangement are set out in 4.1 to 4.5 of this report.

#### **2. Recommendation(s)**

- 2.1 That Members note the progress of the Revenues and Benefits Partnership arrangement between Brentwood and Basildon as set out in 4.1 to 4.5 of this report.**

### **3. Introduction and Background**

3.1 March 2015 - Brentwood Borough Council and Basildon Borough Council entered into a Partnership Agreement. Directives of the agreement were to;

- To provide a Shared Management Programme for Strategic and Operational Management of Brentwood's Revenues and Benefits service and IT Software Systems
- To convert to a single hosted Revenues & Benefits platform
- To share specialist and support staff
- To align contracts and joint procurement to the benefit of the Partnership

3.2 April 2015 – Shared Strategic and Operational Management of Brentwood's Revenues & Benefits service and IT Software Systems was put in place.

### **4. Issue, Options and Analysis of Options**

4.1 A shared Revenues & Benefits Manager was introduced in April 2015.

4.2 A full restructure of Brentwood's Revenues & Benefits service has been undertaken and was completed in January 2016. The resulting structure is flatter and leaner, has fewer managers, and allows for greater numbers of officers who are empowered to fulfil their roles. The teams are working generically; staff are more efficient and are providing an enhanced service to our customers.

4.3 The restructure has laid the foundations needed to take the service forward, both in line with the new Revenues & Benefits system and aligning working practices with staff at Basildon enabling greater resilience and stability. We now are able to share specialist and support staff, such as a shared Systems & Technical Officer, Training Officer and Subsidy Income Officer. We have also been able to align a number of contracts as well as joint procurement opportunities to the benefit of the partnership.

4.4 After scoping sessions and discussions with both Revenues & Benefits Software providers, it was agreed to fully convert Brentwood from its current Northgate system onto the Civica Open Revenues system. Full system conversion would take an estimated 10 months.

4.5 Conversion of the system started late April 2015 and was successfully fully converted from Northgate to the Civica Open Revenues system on the 31<sup>st</sup> January 2016. The service has been fully operational in using the new system since 1<sup>st</sup> February 2016. As part of the conversion £11.38m of collectable debt was balanced and accounted for 32,800 Council tax properties, 2,300 National Non Domestic Rates properties, 3,000 Housing Benefit claims and 3,500 Council Tax Support claims.

### **5. Reasons for Recommendation**

5.1 To enable the Council to deliver effective and efficient Revenues and Benefits Services for the benefit of the Council and its customers.

## **6. Consultation**

- 6.1 Formal consultation took place in line with statutory obligations and the Council's Organisational Change Policy.

## **7. References to Corporate Plan**

- 7.1 Delivering an effective and efficient Revenue & Benefit Services will help meet the Modern Council key priority.

## **8. Implications**

### **Financial Implications**

**Name & Title: Ramesh Prashar, Financial Services Manager**

**Tel & Email: 01277 312513/ramesh.prashar@brentwood.gov.uk**

- 8.1 There are no direct financial implications arising from this report.

### **Legal Implications**

**Name & Title: Daniel Toohey, Monitoring Officer**

**Tel & Email: 01277 312500 / daniel.toohey@brentwood.gov.uk**

- 8.2 Under s102 of the Local Government Act 1972, and the Localism Act 2011, the Council has powers to collaborate with other Local Authorities in order to share the management of services.

Depending on the structure of the proposed partnering agreement, certain duties may arise under the Public Contract Regulations 2006 for the Council to procure and commission services, and the proposed partnership agreement must take this into account in order to comply with those regulations.

**Other Implications** (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.3 None

## **9 Background Papers** (include their location and identify whether any are exempt or protected by copyright)

- 9.1 None

## **10 Appendices to this report**

None

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