



Agenda

Audit Committee

Wednesday, 14 March 2018 at 7.00 pm

Brentwood County High School, Shenfield Common, Seven Arches Road,
Brentwood CM14 4JF

Membership (Quorum – 3)

Cllrs McCheyne (Chair), Ms Rowlands (Vice-Chair), Chilvers, Mrs Fulcher, Hirst, Mrs Hones, Keeble, Reed and Russell

Substitute Members

Cllrs Bridge, Mrs Coe, Mrs Hubbard, Mrs Middlehurst and Mrs Slade


Agenda

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7. **Strategic and Operational Risk Review**

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8. **Urgent Business**

A handwritten signature in black ink, appearing to read 'P. L. Russell', with a large, sweeping underline.

Chief Executive

Town Hall
Brentwood, Essex
06.03.2018

Information for Members

Substitutes

The names of substitutes shall be announced at the start of the meeting by the Chair and the substitution shall cease at the end of the meeting.

Where substitution is permitted, substitutes for quasi judicial/regulatory committees must be drawn from Members who have received training in quasi- judicial/regulatory decision making. If a casual vacancy occurs on a quasi judicial/regulatory committee it will not be filled until the nominated member has been trained.

Rights to Attend and Speak

Any Members may attend any Committee to which these procedure rules apply.

A Member who is not a member of the Committee may speak at the meeting. The Member may speak at the Chair's discretion, it being the expectation that a Member will be allowed to speak on a ward matter.

Members requiring further information, or with specific questions, are asked to raise these with the appropriate officer at least two working days before the meeting.

Point of Order/ Personal explanation/ Point of Information

Point of Order

A member may raise a point of order at any time. The Mayor will hear them immediately. A point of order may only relate to an alleged breach of these Procedure Rules or the law. The Member must indicate the rule or law and the way in which they consider it has been broken. The ruling of the Mayor on the point of order will be final.

Personal Explanation

A member may make a personal explanation at any time. A personal explanation must relate to some material part of an earlier speech by the member which may appear to have been misunderstood in the present debate, or outside of the meeting. The ruling of the Mayor on the admissibility of a personal explanation will be final.

Point of Information or clarification

A point of information or clarification must relate to the matter being debated. If a Member wishes to raise a point of information, he/she must first seek the permission of the Mayor. The Member must specify the nature of the information he/she wishes to provide and its importance to the current debate. If the Mayor gives his/her permission, the Member will give the additional information succinctly. Points of Information or clarification should be used in exceptional circumstances and should not be used to interrupt other speakers or to make a further speech when he/she has already spoken during the debate. The ruling of the Mayor on the admissibility of a point of information or clarification will be final.

Information for Members of the Public

Access to Information and Meetings

You have the right to attend all meetings of the Council and Committees. You also have the right to see the agenda, which will be published no later than 5 working days before the meeting, and minutes once they are published.

Dates of the meetings are available at www.brentwood.gov.uk.

Guidelines on filming, photography, recording and use of social media at council and committee meetings

The council welcomes the filming, photography, recording and use of social media at council and committee meetings as a means of reporting on its proceedings because it helps to make the council more transparent and accountable to its local communities.

Where members of the public use a laptop, tablet device, smart phone or similar devices to make recordings, these devices must be set to 'silent' mode to avoid interrupting proceedings of the council or committee.

If you wish to record the proceedings of a meeting and have any special requirements or are intending to bring in large equipment then please contact the Communications Team before the meeting.

The use of flash photography or additional lighting may be allowed provided it has been discussed prior to the meeting and agreement reached to ensure that it will not disrupt proceedings.

The Chair of the meeting may terminate or suspend filming, photography, recording and use of social media if any of

these activities, in their opinion, are disrupting proceedings at the meeting.

 **Private Session**

Occasionally meetings will need to discuss some of its business in private. This can only happen on a limited range of issues, which are set by law. When a Committee does so, you will be asked to leave the meeting.

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 **Access**

There is wheelchair access to the meeting venue from the Main Entrance. If you do wish to attend this meeting, please contact the clerk should you have specific accessibility needs. There is an induction loop in the meeting room.

 **Evacuation Procedures**

Evacuate the building using the nearest available exit and congregate at the assembly point in the Car Park.



Minutes

Audit Committee Wednesday, 24th January, 2018

Attendance

Cllr McCheyne (Chair)	Cllr Mrs Hones
Cllr Ms Rowlands (Vice-Chair)	Cllr Keeble
Cllr Mrs Fulcher	Cllr Reed
Cllr Hirst	Cllr Russell

Apologies

Cllr Chilvers

Also Present

Cllr Hossack

Officers Present

Zoey Foakes	-	Governance & Member Support Officer
Angela Mason-Bell	-	Ernst & Young, Manager, Public Sector
Sue White	-	Risk and Insurance Officer
Kim Anderson	-	Partnership, Leisure and Funding Manager
Phoebe Barnes	-	Principal Accountant
Alistair Greer	-	Principal Accountant
Debbie Hanson	-	Ernst & Young, External Audit
Philip Ruck	-	Chief Executive
Steve Summers	-	Chief Operating Officer

244. Apologies for Absence

Apologies were received from Cllr Chilvers.

245. Minutes of the Previous Meeting

The minutes of the meeting held on 27 September 2017 were approved as a true record.

246. Annual Audit Letter 2016/17

This report presents the Committee with the Annual Audit Letter issued by the external auditors, Ernst & Young, following the completion of the audit of the 2016/17 accounts.

The purpose of the Annual Audit Letter was to communicate to members and to the public and other stakeholders, the key issues arising from the audit of the accounts, which the external auditors considered should be brought to the attention of the Council.

The Annual Letter contains the following sections:

- a) Executive Summary – result of the 2016/17 audit process
- b) Responsibilities – of the Appointed Auditors and the Council
- c) Financial Statements Audit – key issues identified as part of the audit
- d) Value for Money – arrangements put in place by the Council to secure value for money
- e) Other reporting issues

Mr Ruck thanked the work of the officers involved to get everything in order.

A motion was **MOVED** by Cllr McCheyne and **SECONDED** by Cllr Rowlands to approve the recommendations in the report.

A vote was taken by a show of hands and it was **RESOLVED UNANIMOUSLY** that:

It is recommended that the contents of the Annual Audit Letter are noted.

Reasons for Recommendation

A system of sound financial control and governance arrangements underpins all of the services and priorities of the Council.

247. Variation in the order of the Agenda

The chair proposed and it was agreed to move Item 4 – Internal Audit Progress Report – to the end of the agenda.

248. Strategic and Operational Risk Review

The report updated members of the Audit Committee on the status of the Council's 2017/18 Strategic Risk Register and the progress being made across Services in delivering Operational Risk Registers.

A motion was **MOVED** by Cllr McCheyne and **SECONDED** by Cllr Rowlands to approve the recommendations in the report.

A vote was taken by a show of hands and it was **RESOLVED** that:

1. To agree the amendments to the Strategic Risk Register, as shown in Appendix A, and that the risk scores recorded for each risk accurately represents the current status of each risk.
2. To agree the risk exposure changes and the new risk, as shown in Appendix B, to the Operational Risks

Reasons for Recommendation

Risk Management continues to be embedded quarterly within the Senior Management Team reports, where Service Heads discuss the top-level risks for their service areas to ensure that the risks are updated to reflect the ongoing changes.

In addition, the Risk & Insurance Officer will continue to work with risk managers to maintain the good progress to date and further develop a consistent application of risk management considerations across all operations of the Council.

249. Internal Audit Progress Report

The report was intended to inform the Audit Committee of progress made against the approved internal audit plan for 2017/18, which was approved by the Audit and Scrutiny Committee in March 2017.

The following reports had been finalised since the last Committee, and a summary of the findings was included in the progress report:

- Housing Services (Limited / Moderate Assurance)
- Financial Management (Moderate / Substantial Assurance)
- Minimum Reserve Levels (Substantial / Moderate Assurance)
- Partnerships (Moderate / Limited Assurance)

The full reports were available on request.

Cllrs queried the IT issues that had an effect on the Housing Department. Officers assured members that there was a review on IT support and extra resources would be put in place using more sustainable shared expertise.

Questions were raised on the Partnerships which members expressed there was little guidance within the constitution.

A motion was **MOVED** by Cllr McCheyne and **SECONDED** by Cllr Rowlands to approve the recommendations in the report.

A vote was taken by a show of hands and it was **RESOLVED UNANIMOUSLY** that:

That the Committee receives and notes the contents of the reports.

Reasons for Recommendation

To monitor the progress of work against the internal audit plan, and highlight recommendations arising from the work of internal audit and management's actions in response to those recommendations.

250. Urgent Business

There were no items of urgent business.

To meeting concluded at 19.40.

14 March 2018

Audit Committee

Internal Audit Plan 2018-19

Report of: *Greg Rubins, Head of Internal Audit (BDO)*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

1.1 This report outlines the Internal Audit Operational Plan for 2018/19.

2. Recommendation

2.1 That the Committee approves the Internal Audit Operational Plan and Internal Charter for 2018/19 included in Appendix A.

3. Introduction and Background

3.1 BDO has been the appointed Internal Auditor for the Council since 1 April 2014.

4. Issue, Options and Analysis of Options

4.1 The Internal Audit Operational Plan sets out the proposed work to be undertaken in 2018/19 and is attached as Appendix A to this report.

4.2 The Internal Charter has not changed from the version that was presented to Audit Committee in July 2017, other than the addition of a BDO Officer.

5. Reasons for Recommendation

5.1 To approve the work programme for Internal Audit Operational Plan and Internal Audit Charter for 2018-19.

6. Consultation

6.1 Not applicable.

7. References to Corporate Plan

- 7.1 Good financial management, risk management and internal control underpin all priorities within the Corporate Plan.

8. Implications

Financial Implications

Name & Title: Jacqueline Van Mellaerts, Financial Services Manager (Deputy 151 officer)

Tel & Email: 01277 312 829

jacqueline.vanmellaerts@brentwood.gov.uk

- 8.1 Subject to a contract Extension, it is proposed that next years fees for BDO will be £89,925 + VAT for 275 days. Which is included in the Medium Term Financial Plan for 2018/19. This is a slight reduction in last years fees due to the decrease in required number of Audit days.

Legal Implications

- 8.2 [There are no direct legal implications arising from this report]

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

Tel & Email: 01277 312 860 daniel.toohey@brentwood.gov.uk

9. Background Papers

- 9.1 Not applicable

10. Appendices to this report

- Appendix A – Internal Audit Operational Plan and Internal Audit Charter 2018/19

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Brentwood Borough Council

INTERNAL AUDIT PLAN

2018- 2019 OPERATIONAL PLAN

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Appendix A

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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

INTERNAL AUDIT APPROACH

Introduction

Our role as internal auditors is to provide independent, objective assurance designed to add value and improve your performance. Our approach, as set out in the Firm's Internal Audit Manual, is to help you accomplish your objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular, CIPFA Internal Audit Standards and Public Sector Internal Audit Standards.

Internal Audit at Brentwood Borough Council

We have been appointed as internal auditors to Brentwood Borough Council (the 'Council') to provide the s151 officer, the Audit Committee, the Head of Paid Service and other Heads of Service with assurance on the adequacy of internal control arrangements, including risk management and governance.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at the Council will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the internal audit plan for 2018-19 we have sought to further clarify our initial understanding of the business of Brentwood Borough Council together with its risk profile in the context of:

- The overall business strategy and objectives of the Council
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non-financial measurements and indicators of such performance
- The information required to 'run the business'
- The key challenges facing the Council.

AUDIT RISK ASSESSMENT

Background

Our risk based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the Council's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects Brentwood Borough Council's current risk profile.

Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required we will obtain approval from the appropriate Executive Director prior to commencing fieldwork.

In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

Variations to the Plan

Significant variations to the plan arising from our reviews, changes to the Council's risk profile or due to management requests will be discussed in the first instance with the s151 officer and approved by the Audit Committee before any variation is confirmed.

Planned approach to creating the internal audit operational plan for 2018-19

The indicative Internal Audit programme for 2018-19 is shown on pages 6 and 7. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.



PROPOSED RESOURCES AND OUTPUTS

Staffing

The core team that will be delivering the programme to you is shown below:

Name	Grade	Telephone	Email
Greg Rubins	Engagement Partner and Head of Internal Audit	02380 881 892	Greg.Rubins@bdo.co.uk
Angela Mason-Bell	Engagement Manager	07813 000 319	Angela.Mason-Bell@bdo.co.uk
Ian Wiltshire	Assistant Manager	07813 000 318	Ian.Wiltshire@bdo.co.uk

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The core team will be supported by specialists from our national Risk and Advisory Services Team and wider firm as and when required.

Our indicative staff mix to deliver the programme for 2018-19 is shown below:

Grade	Annual days	Grade Mix (%)
Partner	27	10
Audit Manager	55	20
Team Leader	55	20
Auditors (including Qualified) & Specialist Staff	138	50
Total	275	100

Reporting to the Audit Committee

We submitted the indicative Internal Audit Plan for discussion and approval by the Audit Committee in March 2018. We will liaise with the Executive Directors and other senior officers as appropriate to ensure that internal audit reports summarising the results of our visits are presented to the appropriate Audit Committee meeting.

Following completion of the Internal Audit programme each year we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements.

INDICATIVE INTERNAL AUDIT OPERATIONAL PLAN

We have detailed below our indicative operational audit plan, this covers some of the areas that we think will be important to you over the next year, or where an internal audit has not been carried out in the last three to four year cycle.

Area	2018-19	Risk Register Reference	Timing	Description of the Review
Core Reviews				
Risk Management and Governance Arrangements	10	All risks	Q4	Review of the Council's governance structure and ensure that this is operating reasonably against the CIPFA Good Governance Code
Main Financial Systems	40	Risk 1 / Risk 11	Q4	Detailed annual review to include GL controls, system interfaces, journals plus a cyclical audits of debtors, creditors , budgetary control, treasury management, council tax, NNDR and housing benefits. It will include a review of the arrangements with the new payroll (and HR) provider, plus the controls relating to the roll out of Universal Credit in November 2017.
Disaster recovery and Business Continuity	20	Risk 3	Q2	Review of the Council's arrangements for the overall Business Continuity and Disaster Recovery Plan. This includes how this Plan interacts with local service plans and whether there is adequate oversight that these all remain up-to-date, regularly assessed and/or tested via desktop scenarios or live testing. We will also consider how arrangements link to supplier system/ arrangements.
General Data Protection Regulations	15	Risk 15	Q3	Review of compliance with the new requirements effective from 25 May 2018 across the Council's departments, with a focus on data owners' responsibilities.
Counter Fraud	20	All risks	Ongoing	Fraud risk management assessment and preventative measures, e.g. presentations and advice.
Total	105			
Local Development Plan	15	Risk 2	Q3	Review of the overall oversight and monitoring of the Local Development Plan, whether project plans are being adhered to and sufficient resources have been assigned to ensure timely delivery.
Commercial Activities	20	Risk 7	Q1	Review of the extent to which the Asset Development Programme is being delivered to support the long term sustainability of the Council, and assess the adequacy and effectiveness of governance.
Corporate Projects	20	Risk 13	Q2	Review of the extent to which the identified corporate projects are on track to be delivered, within budget and where completed that the anticipated benefits are being realised.
Workforce Strategy and Organisation Structure	15	Risk 4	Q3	Review of how the Workforce Strategy is monitored and progress is reported, and whether actions against the Plan are clear and achievable. We will compare your Strategy to other Councils and identify any further actions could support the Council's Corporate Priorities. Review of the extent to which the benefits anticipated from organisational structure reviews are being realised.
Total	70			

INDICATIVE INTERNAL AUDIT OPERATIONAL PLAN

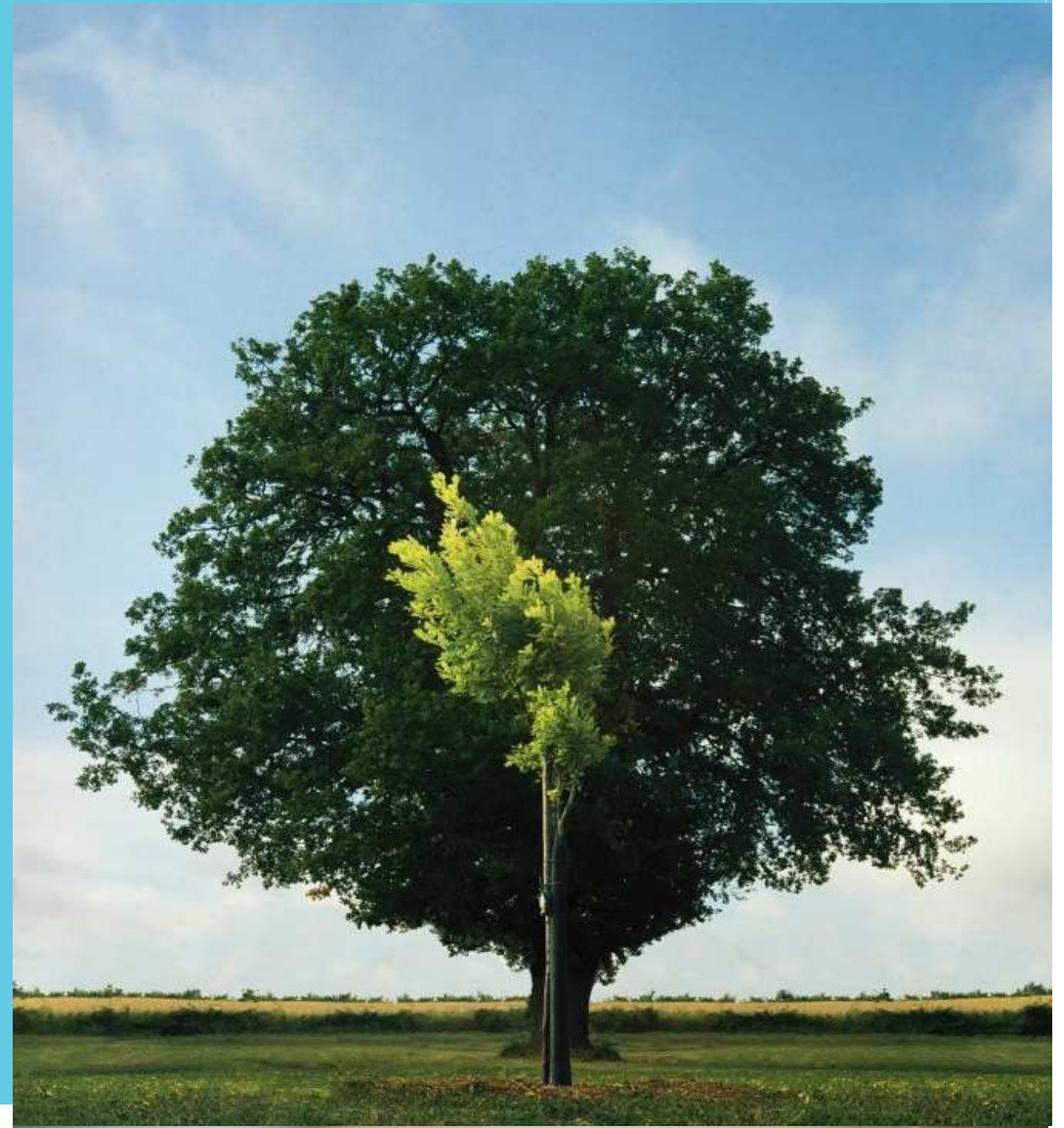
We have detailed below our indicative operational audit plan, this covers some of the areas that we think will be important to you over the next year, or where an internal audit has not been carried out in the last three to four year cycle.

Area	2018-19	Risk Register Reference	Timing	Description of the Review
Operational Reviews				
Housing - Homelessness	20	Linked to Risk 10 / new risk area	Q4	Review of the Council's response to and in particular its fulfilment of its prevention duties under the Homelessness Reduction Act 2017 (HRA) which comes into effect April 2018.
Building Control	10	Internal Audit	Q1	Review of the Council's compliance with the Building Control Regulations, including the response to recommendations arising from the independent review undertaken by Dame Judith Hackett.
Planning	15	Internal Audit	Q1	Review of the Council's compliance with Planning Regulations, including a customer focus (how easy is the current application process to use, including uploading or providing required documentation) and monitoring of performance of the SLA in place with Thurrock Council.
PCI / DSS Compliance	15	Risk F9	Q2	Review of the adequacy and effectiveness of the plan put in place by the Council to manage the risk of failing to attain PCI DSS compliance across all of its payment options.
Total	60			
Audit Management				
Follow Up Work	10	All Risks	Ongoing	Rolling programme of follow up, including testing of high and medium risk recommendations.
Audit Management	20		Ongoing	Planning, reporting, attendance at meetings.
Contingency	10		As required	Time to allow increased scope and / or additional sample testing where further work is required.
Total	40			
GRAND TOTAL	275			

BRENTWOOD BOROUGH COUNCIL

INTERNAL AUDIT CHARTER

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Internal Audit Charter - Role and Scope of Internal Audit

Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Brentwood Borough Council, and defines the scope of internal audit activities.

The charter shall be reviewed and approved annually by management and by the Audit Committee.

Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

Internal audit definition and role

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

Internal audit's scope

The scope of internal audit activities includes all activities conducted by Brentwood Borough Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

Effective internal audit

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Brentwood Borough Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

Internal Audit Charter - Independence and objectivity

Independence and internal audit's position within Brentwood Borough Council

To provide for internal audit's independence, its personnel and external partners report to the Finance Director, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Director of Finance who provides oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Brentwood Borough Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

Internal audit's role in fraud, bribery and corruption

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

Access to records and confidentiality

There are no limitations to internal audit's right of access to Brentwood Borough Council officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

Coordination and reliance with other assurance providers

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

Internal Audit Charter - Internal Audit Commitments

Internal audit's commitments to Brentwood Borough Council

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with Brentwood Borough Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations
- liaising with external audit and other regulators to maximise the assurance provided to Brentwood Borough Council
- reporting honestly on performance against targets to the Audit Committee.

Internal audit performance measures and indicators

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

Quality assurance and improvement programme

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit Committee as part of the internal audit annual report, along with corrective action plans.

Table One: Performance measures for internal audit

Measure / Indicator
<p>Audit Coverage</p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p>Relationships and customer satisfaction</p> <p>Customer satisfaction reports - overall score at least 70% for surveys issued at the end of each audit</p> <p>Annual survey to Audit Committee to achieve score of at least 70%</p>
<p>Staffing and Training</p> <p>At least 60% input from qualified staff</p>
<p>Audit Reporting</p> <p>Issue of draft report within 3 weeks of fieldwork `closing` meeting</p> <p>Finalise internal audit report 1 week after management responses to report are received.</p>
<p>Audit Quality</p> <p>Positive result from any external review</p>

Internal Audit Charter - Management & Staff Commitments

Management and staff commitments to Internal Audit

The management and staff of Brentwood Borough Council commit to the following:

- providing unrestricted access to all of Brentwood Borough Council's records, property, and personnel relevant to the performance of engagements
- Being ready for internal audit at the time agreed in the terms of reference, to avoid delays in the process and the risk of additional internal audit fees being incurred
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that would impair its independence or objectivity
- providing honest and constructive feedback on the performance of internal audit

Management and staff performance measures and indicators

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Audit Committee progress report.

Table Two: Performance measures for management and staff

Measure / Indicator
<p>Response to Reports</p> <p>Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt</p>
<p>Implementation of recommendations</p> <p>Audit sponsor to implement audit recommendations within the agreed timeframe</p>
<p>Co-operation with internal audit</p> <p>Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff</p>

BDO contacts

Name	Grade	Telephone	Email
Greg Rubins	Engagement Partner and Head of Internal Audit	02380 881 892	Greg.Rubins@bdo.co.uk
Angela Mason-Bell	Engagement Manager	07813 000 319	Angela.Mason-Bell@bdo.co.uk
Ian Wiltshire	Assistant Manager	07813 000 318	Ian.Wiltshire@bdo.co.uk
Alexa Williams	Semi Senior	07813 000 702	Alexa.Williams@bdo.co.uk

proposal contained in this document is made by BDO LLP ("BDO") and is in all respects subject to the negotiation, agreement and signing of a specific contract. It contains information that is commercially sensitive to BDO, which is being disclosed to you in confidence and is not to be disclosed to any third party without the written consent of BDO. Client names and statistics quoted in this proposal include clients of BDO and BDO International.

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14 March 2018

Audit Committee

External Audit Plan 2017/18

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 in auditing the final accounts for the financial year 2017/18.
- 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 2017/18 as shown in Appendix A**

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 2018 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 Audit Plan identifies area of focus and significant risks for the financial statements.

- Misstatement due to fraud or error.
- Property, Plant and equipment valuations
- Pension Valuation and disclosures
- Earlier deadline for production of the financial statements.

4.3 The Value for Money Audit will focus the Medium Term Financial Planning process; savings and income generation plans; and the Council's developing approach to partnership working.

4.4 The External Audit Plan 2017/18 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: Jacqueline Van Mellaerts, Finance Services Manager
(Deputy 151 Officer)

Tel & Email: 01277 312829 / Jacqueline.vanmellaerts@brentwood.gov.uk

7.1 The Auditors Planned fees for 2017/18 and actual fees for 2016/17 are listed in Appendix A on Page 29, which are included in the Council's Medium Term Financial Plan. There maybe further fees expected depending on the additional value for money audit work.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

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

7.2 There are no direct legal implications arising from this report


8. Appendices to this report

Appendix A – External Audit Plan 2017-18

Report Author Contact Details:

Name: Jacqueline Van Mellaerts, Finance Service Manager (Deputy
151 Officer)
Telephone: 01277 312829
E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk

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Brentwood Borough
Council
Audit planning report
Year ended 31 March 2018

14th March 2018

Private and Confidential
Brentwood Borough Council
Town Hall, Ingrave Road,
Brentwood, Essex
CM15 8AY

14th March 2018

Dear Audit Committee Members

Audit planning report

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 Committee with a basis to review our proposed audit approach and scope for the 2017/18 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.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 14th March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson.
For and on behalf of Ernst & Young LLP
Enc

Contents

01	Overview of our 2017/18 audit strategy	02	Audit risks	03	Value for money risks	04	Audit materiality	05	Scope of our audit
									
	06	Audit team	07	Audit timeline	08	Independence	09	Appendices	

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (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 (updated February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee, other members of the Authority and Senior management of Brentwood Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of those matters we are required to state to them in this 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 Audit Committee, other members of the Authority and Senior management of Brentwood Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

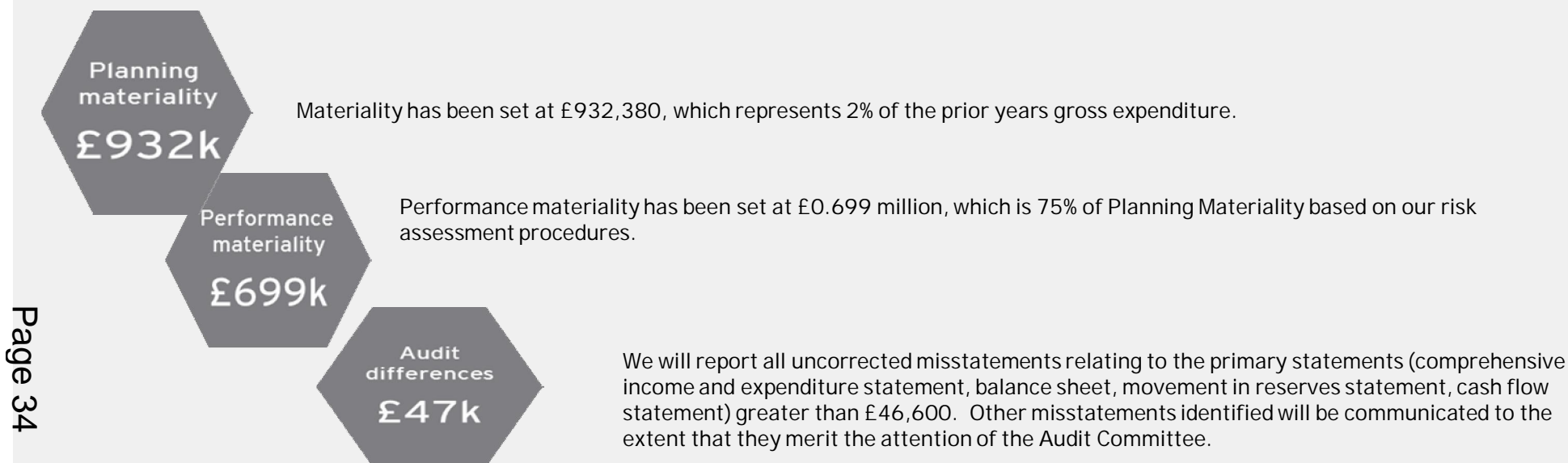
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Significant Risk/Fraud	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Property, plant and equipment valuations	Higher inherent risk	No change in risk or focus	<p>Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p>
Pension valuation and disclosures	Higher inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p>
Earlier deadline for production of the financial statements	Other risk	New risk	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. These changes provide risks for both the preparers and the auditors of the financial statements.

Overview of our 2017/18 audit strategy

Materiality



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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.

Overview of our 2017/18 audit strategy

Audit scope

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 2018 and of the income and expenditure for the year then ended; and
- § 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.



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02 Audit risks





Our response to significant risks

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

For the Council, we identified the potential for the incorrect classification of revenue spend as capital as a particular area where there is a risk of fraud in revenue recognition.

What will we do?

Our approach will focus on:

- Ø Identifying fraud risks during the planning stages.
- Ø Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Ø Understanding the oversight given by those charged with governance of management's processes over fraud.
- Ø Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Ø Determining an appropriate strategy to address those identified risks of fraud.
- Ø Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Ø Assessing accounting estimates for evidence of management bias;
- Ø Evaluating the business rationale for significant unusual transactions; and
- Ø Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised, should the final sum be material.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Property, Plant and Equipment Valuations</p> <p>Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet.</p> <p>As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none">§ Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;§ Sample testing key asset information used by the valuers in performing their valuation (for example floor plans to support valuations based on price per square metres);§ Considering the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Properties. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;§ Reviewing assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;§ Considering changes to useful economic lives as a result of the most recent valuation; and§ Testing accounting entries have been correctly processed in the financial statements.
<p>Pension Valuation and Disclosures</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary .</p> <p>Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none">§ Liaising with the auditors of the Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Brentwood Borough Council;§ Assessing the conclusions drawn on the work of the actuary, Barnett Waddingham, by the Consulting Actuary, PWC, who are commissioned by the National Audit Office, including the use of our own pensions specialists; and§ Reviewing and testing the accounting entries and disclosures made in relation to IAS19.

Other areas of audit focus

What is the risk/area of focus?

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, and the provision of late working papers.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What will we do?

We will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Work with the Council to implement EY Client Portal, this will:
 - Streamline our audit requests through a reduction of emails and improved means of communication;
 - Provide on-demand visibility into the status of audit requests and the overall audit status;
 - Reduce risk of duplicate requests; and
 - Provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.



03

Value for Money Risks





Background

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. This is known as our value for money conclusion.

For 2017/18 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.

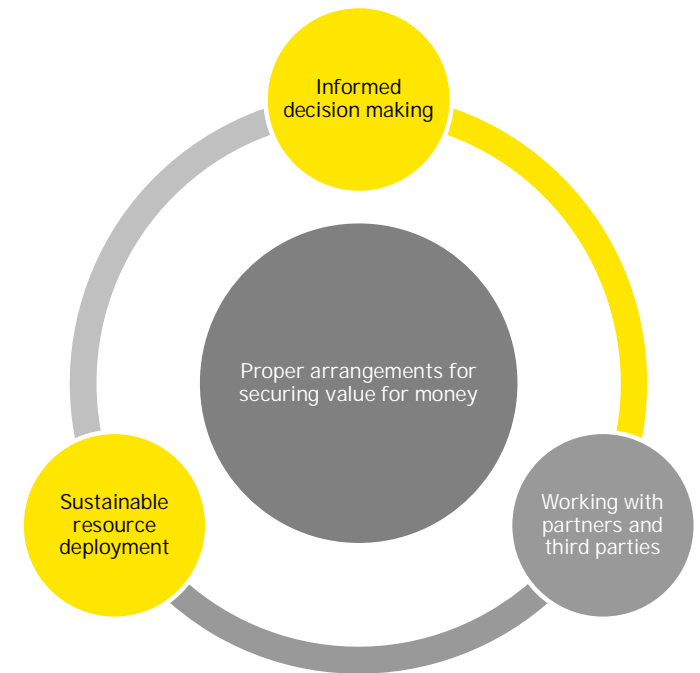
When considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

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.

Our risk assessment has therefore considered 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. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.



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Value for Money Risks

What is the significant value for money risk?

The Council's Medium Term Financial Strategy for 2018/19 to 2020/21 identified net budget gaps of just under £0.7 million at the end of 2020/21. This assumes the Council will achieve savings or generate additional income of just over £3.8 million over these three years. Over the same period, the working balance on the general fund is projected to reduce slightly to just over £2.4 million, which is above the minimum level of £2.2 million.

As part of its plans to address generate the additional savings and income required to meet the future financial challenges, the Council is continuing with a number of initiatives including the development of the Town Hall and town centre and leisure strategies. More recently, the Council is developing plans to establish a wholly owned company and procure a joint venture partner to develop assets commercially in order to generate revenue for the Council.

These schemes will commit the Council to significant levels of funding over a number of years. Given the significance and importance of these decisions to the Council's strategic, operational and financial priorities, the effectiveness of the governance, financial and risk management arrangements related to these key decisions are crucial.

Key issues that should be addressed as part of these arrangements include:

- Clear and robust decision making, including consideration of legal powers.
- Exploration of options, costs and benefits.
- Treasury management and prudential borrowing considerations.
- Identification and mitigation of risks.
- How the Council identifies and secures appropriate expertise and resource to support they key projects.

What arrangements does the risk affect?

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

What will we do?

Our approach will focus on:

- The adequacy of the Council's budget setting and medium term financial planning process and the robustness of any assumptions.
- The savings and income generation plans in place and under development and how the Council identifies and quality assures these plans to ensue delivery.
- The Council's developing approach to partnership working, collaboration and asset utilisation and the governance and decision making arrangements in place in relation to these activities.

As part of this we will consider:

- The quality of the information provided to Members and Officers when taking decisions in relation to the projects.
- The nature consideration of advice taken by the Council, including legal and financial advice.
- The extent to which the Council has identified, considered, and mitigated the risks around the project.
- The extent to which the financial implications of the project are reflected within the Council's Medium Term Financial Plan.
- The extent to which the Council has considered alternative funding options.
- The adequacy of the processes established by the Council to review and monitor delivery of the agreed outputs.

We anticipate that our work in this area will involve additional audit work that is not contained with the assumptions used by Public Sector Audit Appointments Limited (PSAA Ltd) in setting the Council's 2017/18 audit fee. We are not able to estimate the likely additional fee in relation to this risk at this stage of our planning but will discuss this with officers once the work is complete. Any variation to our fee needs to be approved by PSAA Ltd.



04

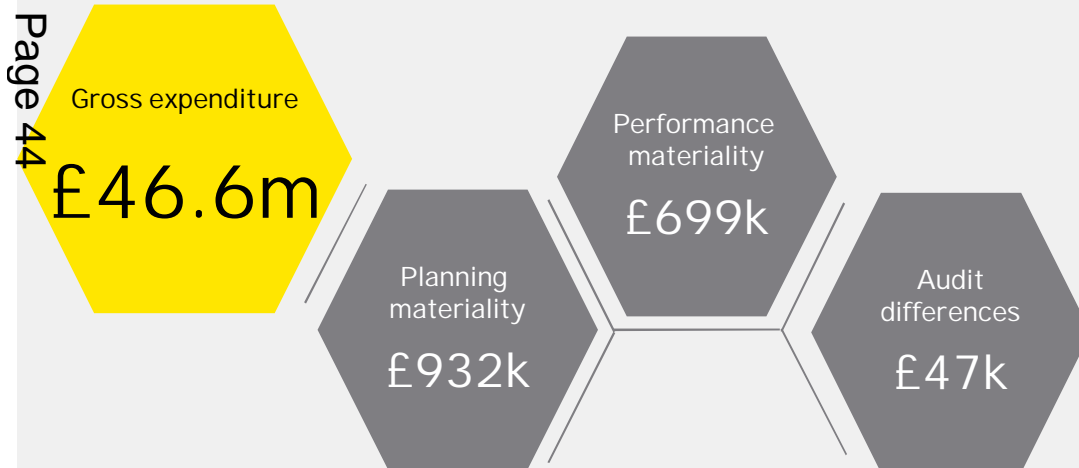
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £0.729 million. This represents 2% of the Council's prior year gross expenditure. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £699k which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

Specific materiality – We have set a materiality of £1,000 for the following: Remuneration disclosures (including severance payments, exit packages and termination benefits), related party transactions, and members' allowances. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and 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 also 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; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2017/18 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2017/18, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:

We will use our computer-based analytics tools 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; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

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 financial statements.



06

Audit team



Audit team

Audit team structure:

Debbie Hanson
Lead Audit Associate Partner

Pamela Hillie
Manager

Ashish Galani
Senior

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 either EY or third party specialists may provide input for the current year audit are:

Area	Specialists
Pensions	Management's expert (Barnett Waddingham LLP) Auditor specialist – EY Pensions Advisory group will review the work commissioned by the NAO for local government and fire pension funds
Property valuation	Management's expert (Wilks Head & Eve)

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 business 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 specialist 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.



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	March	Audit Committee 14/03/2018	Audit Planning Report
Interim audit testing	April		
Year end audit	June		
Audit Completion procedures	July	Audit Committee July (Date not yet confirmed)	Audit Results Report Audit opinions and completion certificates
Conclusion of reporting	August	Audit Committee October (Date not yet confirmed)	Annual Audit Letter

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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 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 upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of 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
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>▶ The overall assessment of threats and safeguards;</p> <p>▶ Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose 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;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, 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 services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

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, analysed in appropriate categories, are disclosed.

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 the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include 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 you. 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 you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0%. We have adopted the following safeguards as a result. No additional safeguards are required.

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 you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

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

EY Transparency Report 2017

Ernst & Young (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 in place 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 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



09

Appendices



Appendix A

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.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Audit – Code work	68,006	68,006	69,326*
Certification of Claims and Returns	33,606	33,606	28,565
Non-audit work	0	0	0
Total fees	101,612	101,612	97,891

** The 2016/17 audit fee includes a scale fee variation increase of £1,320 in relation to additional work to address value for money conclusion significant risks.

The agreed fee presented 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.

All fees exclude VAT



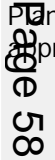
Appendix B

Required communications with the Audit Committee




We have detailed the communications that we must provide to the Audit Committee.





Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
 Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report - March 2018
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report - July 2018

Required communications with the Audit Committee (continued)




			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Going concern	<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"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report – July 2018	
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report – July 2018	
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit results report – July 2018	
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report – July 2018	

Required communications with the Audit Committee (continued)

		Our Reporting to you	
Required communications	 What is reported?	 When and where	
Page 60	Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Planning Report – March 2018</p> <p>Audit Results Report – July 2018</p>
	External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report – July 2018
	Consideration of laws and regulations	<ul style="list-style-type: none"> • 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 • Enquiry of the Audit 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 Committee may be aware of 	Audit results report – July 2018
	Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	<p>Audit results report – July 2018</p> <p>Annual Letter – August 2018</p>
	Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – July 2018
	Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – July 2018

Appendix B

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Auditors report	<ul style="list-style-type: none"> • Key audit matters that we will include in our auditor’s report • Any circumstances identified that affect the form and content of our auditor’s report 	Audit results report – July 2018	
Fee Reporting	<ul style="list-style-type: none"> • Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work 	Audit planning report – March 2018 Audit results report – July 2018	
Certification work	Summary of certification work undertaken	Certification report – December 2018	

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Entity's financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

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 of the circumstances that may ultimately influence our judgement about materiality. 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 accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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14 March 2018

Audit Committee

Certification of Claims and Returns Annual Report 2016/17

Report of: *Ernst & Young*

Wards Affected: *None*

This report is: *Public*

1. Executive Summary

- 1.1 To present the External Auditor's annual report in respect of the Certification of Claims and Returns; specifically the Housing Benefit Subsidy Claim for the financial year 2016/17.

2. Recommendation

- 2.1 That Members note the contents of the Certification of Claims and Returns Annual Report 2016/17 at Appendix A.**

3. Introduction and Background

- 3.1 Local Authorities claim large sums of public money in grants and subsidies from Central Government and other grant-paying bodies and are required to complete returns providing financial information to government departments. The Council's External Auditors, Ernst & Young are required to undertake certification work to provide assurances to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable.

4. Issue, Options and Analysis of Options

- 4.1 Attached as Appendix A is the Certification of Claims and Returns Annual Report 2016/17.
- 4.2 Section 1 of the report outlines the results of the 2016/17 certification work and highlights the significant issues.

5. Reasons for Recommendation

5.1 For Members to review the findings of the external audit's certification work.

6. References to Corporate Plan

6.1 The vision for improvements to services includes an action to strengthen the Council's governance arrangements, leading to faster, more effective decision-making. An effective scrutiny function is an essential element of that priority.

7. Implications

Financial Implications

Name & Title: Jacqueline Van Mellaerts, Finance Services Manager
(Deputy 151 Officer)

Tel & Email: 01277 312829 / Jacqueline.vanmellaerts@brentwood.gov.uk

7.1 As explained in section 1, the Council's subsidy claim has been reduced by £1,224 and the Certification fees are shown on page 4 of Appendix A. The final fee will be determined once the additional work to respond to the DWP is complete.

Legal Implications

Name & Title: Daniel Toohey. Monitoring Officer

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

7.2 There are no legal implications arising directly from this report.

8. Background Papers

8.1 None

9. Appendices to this report

Appendix A – Certification of Claims and Returns Annual Report 2015/16

Report Author Contact Details:

Name: Jacqueline Van Mellaerts, Finance Service Manager (Deputy
151 Officer)

Telephone: 01277 312829

E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk

Certification of claims and returns annual report 2016-17

Brentwood Borough Council

22 February 2018

Ernst & Young LLP



Building a better
working world

The Members of the Audit Committee
Brentwood Borough Council
Town Hall
Ingrave road
Brentwood
Essex
CM15 8AY

22 February 2018
Ref: DH/HB17/BBC

Direct line: 07974 006715
Email: dhanson@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 Brentwood Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Brentwood Borough Council's 2016-17 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016-17, the PSAA arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £15.7 million. We met the submission deadline. We issued a qualification letter for the housing benefit scheme claim and details of the qualification matters are included in Section 1.

Fees for certification are summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 14 March 2018 Audit Committee.



Yours faithfully

Debbie Hanson
Associate Partner
Ernst & Young LLP
Enc

Contents

- 1. Housing benefits subsidy claim 1**
- 2. 2016-17 certification fees 4**
- 3. Looking forward 5**
- Appendix 1: Matters giving rise to qualification..... 6**

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£15,689,250
Amended/Not amended	Amended – subsidy reduced by £1,224
Qualification letter	Yes
Fee – 2016-17	£28,565
Fee – 2015-16	£33,606

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing of a sample of 20 cases identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. We found errors and carried out extended testing in several areas. Our extended and other testing identified errors which the Council amended. The overall impact on the claim was to reduce subsidy claimed by £1,224.

We have reported overpayments, underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Authority to carry out further work to quantify the error or to claw back the benefit subsidy paid. In a letter dated the 19 January 2018, the DWP have asked the Authority to carry out further work in relation to cases where we reported a lack of evidence due to system conversion issues to enable us to quantify the impact on subsidy claimed in line with DWP guidance. This work is still being completed.

Our testing identified errors in relation to both rent allowance and rent rebate payments as well as system conversion issues. We have summarised below the main issues we reported in our qualification letter, which is included at Appendix 1:

- Civica software version

Our testing identified that the authority was using the incorrect version of the Civica software at year end. A new claim extract was run on the correct version and the total subsidy was £3,303 less than on the subsidy claim presented for audit. The claim was not amended to reflect this change, but this was reported to the DWP in our qualification letter.

- System conversion issue

During the 2015/16 year the Authority changed housing benefit system from Northgate to Civica system. Our testing as part of the 2016/17 grant certification process has identified that certain evidence which was embedded the Northgate interface and not held as separate pieces of evidence has not transferred to Civica. We have been unable to determine the effect on the benefit paid, and therefore subsidy claimed, for these cases as, although the calculations available have been performed correctly, the Authority is not able to provide the evidence to fully support them for the whole year. We have recognised this is a system conversion issue which is specific to this year, and have therefore not classified the above as errors for subsidy purposes in our initial qualification letter. As noted above, the DWP has now written back to the Authority and asked for further work to be undertaken by the Authority on these cases to enable us to quantify the impact on subsidy claimed in line with DWP guidance.

- Rent allowances

Initial testing identified:

- 1 case where the incorrect child tax credit was used
- 1 case where the child tax credit amount could not be evidenced due to the system conversion issue
- 2 cases where the Authority had overpaid benefit as a result of applying the incorrect rent
- 1 case where the student loan amount used was incorrect when assessing income
- 2 cases where the earnings were calculated incorrectly

Extended '40+' testing was undertaken for incorrect child tax credits and student loan amounts, identifying 16 further errors. These errors were due to a lack of child tax credit evidence in relation to the system conversion issue mentioned above. These errors were therefore not included in our extrapolation calculation. The extrapolated impact of the other errors was an over claim of subsidy of £4,968.20.

Extended '40+' testing was undertaken for incorrect rent amounts, identifying 2 further errors. One of these errors was due to a lack of rent officer evidence in relation to the system conversion issue mentioned above. This error was therefore not included in our extrapolation calculation. The extrapolated impact of the other error was an over claim of subsidy of £5,120.63

Extended '40+' testing was undertaken for earnings calculated incorrectly, identifying 4 further errors. The extrapolated impact of the other errors was an over claim of subsidy of £12,420.39

Initial testing of the rent allowance eligible overpayments did not identify any errors in classification of the type of overpayment. However, given the level of previously reported errors in overpayment classification, additional '40+' testing was undertaken. This identified 8 cases where the overpayment was incorrectly classified as eligible overpayment (on which the Authority receives 40% subsidy) rather than local authority error (on which the Authority receives no subsidy). As a result subsidy has been over claimed. The impact of these errors when extrapolated was to overstate eligible overpayments by £3,422.95.

- Rent rebates (HRA properties)

Initial testing identified:

- 2 cases where the authority had overpaid benefit as a result of using the incorrect pension amount.
- 3 cases where the authority had underpaid benefit as a result of using the incorrect pension amount. As there is no eligibility for subsidy that has not been paid, these underpayments do not affect subsidy, and have not been classified as an error for subsidy purposes.

Extended '40+' testing was undertaken for incorrect pension amounts, identifying no further errors which resulted in overpayment of benefit. The extrapolated impact of the initial errors was an over claim of subsidy of £4,574.27.

Initial testing of the classification of rent allowance eligible overpayments did not identify any errors. However, given the level of previously reported errors in overpayment classification, additional '40+' testing was undertaken. This identified 7 cases where the overpayment was incorrectly classified as eligible overpayment (on which the Authority receives 40% subsidy) rather than local authority error (on which the Authority receives no subsidy). As a result subsidy has been over claimed. The impact of these errors when extrapolated was to overstate eligible overpayments by £587.83.

- Rent rebates (Non HRA properties)

Initial testing identified:

- 1 case where the child disability premium had not been applied to the claim. As there is no eligibility to subsidy for benefit which has not been paid, this has not been classified as an error for subsidy purposes.

- 2 cases where the Authority could not provide evidence for amounts posted to Cell 023. This error has not been extrapolated as we reported of the total value in this cell of -£3,024 as amount that could be evidenced.
- 1 case where the incorrect child tax credit amount was applied to the claim
- 1 case incorrect rent amount was applied to a claim

Extended '40+' testing was undertaken for incorrect child tax credits, identifying 17 further errors. 16 of these errors were due to a lack of child tax credit evidence in relation to the system conversion issue mentioned above. These errors were therefore not included in our extrapolation calculation. The extrapolated impact of the other errors was an under claim of subsidy of £335.64.

Extended '40+' testing was undertaken for incorrect rent amounts, identifying 3 further errors. The extrapolated impact of the errors was an over claim of subsidy of £337.08

2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	To be confirmed	28,565	33,606

The final fee will be determined once the additional work to respond to the DWP letter of 19 January has been completed. Any variations to the indicative fee set by PSAA will be discussed and agreed with the Authority and PSAA.

3. Looking forward

2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £33,606. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

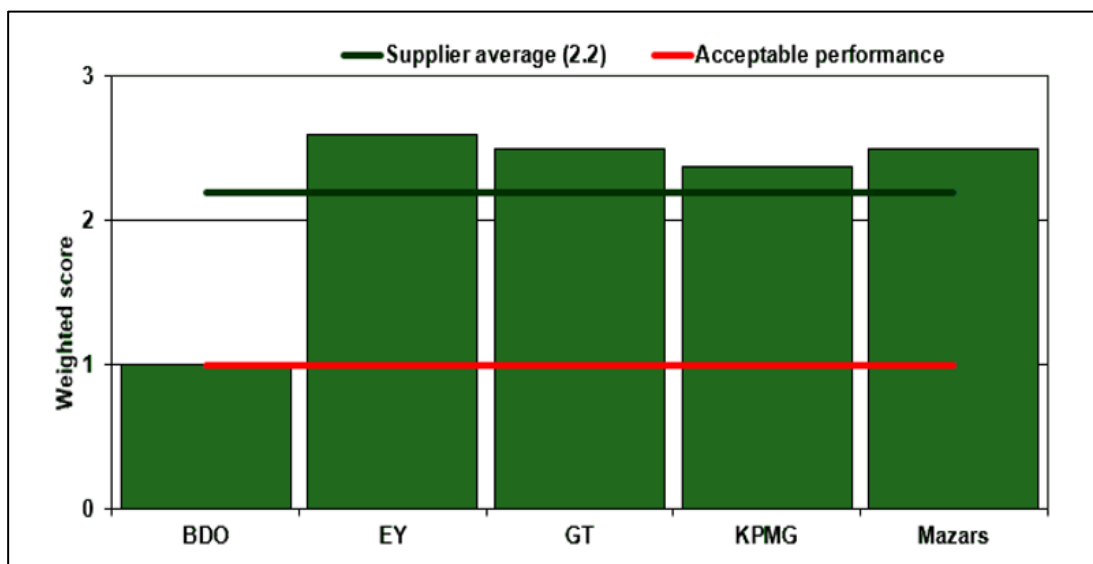
<https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Resources before seeking any such variation.

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published in early 2018.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



Appendix 1: Matters giving rise to qualification

Cross cutting issues

Civica system version

Through the testing of Module 5 it was identified that the authority were using version 17.0.02 at year end when they should have been using version 17.1 or above.

The authority have stated that this was due to the version 17.1 release not being received from Civica until 28/3/17 and it not being possible to complete the necessary testing to satisfy the release before the live implementation in the 3 days remaining from date of receipt to year end. As such the older release (17.0.02) was used to produce the claim at year end.

The client ran a second claim form on the updated version of Civica. We compared each of the headline cells to the claim form submitted and audited.

We confirmed that the new claim extract was run on the correct version and the total subsidy was £3,303 less than on the audited subsidy claim. The claim has not been amended to reflect this change.

System conversion issue

During the 2015/16 year the Authority changed housing benefit system from Northgate to Civica system. Our testing as part of the 2016/17 grant certification process has identified that certain evidence which was embedded the Northgate interface and not held as separate pieces of evidence has not transferred to Civica. As a result, we have identified as part of our testing several cases where the Authority has been unable to fully support figures for the whole year for:

- Child tax credits
- Rent officer determinations
- Pension uprating values

We have been unable to determine the effect on the benefit paid and therefore subsidy claimed for these cases as although the calculations available have been performed correctly, the authority is not able to provide the evidence to fully support them for the whole year. We have recognised this is a system conversion issue which is specific to this year, and have therefore not classified the above as errors for subsidy purposes. Therefore none of the above errors have been identified as overpayments or underpayments and have not been included in extrapolations.

Qualifications on individual cells

Rent Allowances

Cell 094 Rent Allowances

Cell 094 Total: £9,292,922

Cell population 1,809 Cases

Headline Cell 094 total: £9,292,922

Testing of the initial sample identified:

- 1 case where the incorrect child tax credit was used
- 1 case where the child tax credit amount could not be evidenced due to the system conversion issue referred to in the cross cutting section of this qualification letter
- 2 cases where the Authority had overpaid benefit as a result of applying the incorrect rent
- 1 case where the student loan amount used was incorrect when assessing income
- 2 cases where the earnings were calculated incorrectly

Each of these error types is dealt with separately below.

Incorrect child tax credit and student loan amounts

Testing of the initial sample identified errors that lead to both underpayment and overpayment of subsidy:

- 1 case (total value £4,381.48) where the incorrect child tax credit was used, resulting in an underpayment of benefit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes;
- 1 case (total value £2,749.06) where the Authority had overpaid benefit as a result of use of incorrect student loan value. The effect of this error is to overstate Cell 102 with a corresponding understatement of Cell 113. There is no effect on cell 94; and
- 1 case (total value £7,991.01) where we were unable to confirm the level of child tax credit due to the subsidy conversion issues referred to the cross cutting section of this qualification letter. This has therefore not been classified as an error for subsidy purposes for the reasons set out previously in this qualification letter

A further sample test of 40 cases was performed. Testing identified 16 cases where child tax credit values could not be confirmed due to the system conversion issues referred to in the cross cutting section of this qualification letter. No other errors were identified. We have not extrapolated the 16 cases as the effect on benefit and the subsidy claim could not be determined as outlined above in the cross cutting issues.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	Incorrect child tax credits/ student loan	£9,292,921.52	£169.00	£110,147.66	0.15%	
Additional Sample - 40 Cases	No fails	£9,292,921.52	£0	£205,963.62	0.00%	
Combined Sample - 60 Cases	Incorrect child tax credits/ student loan	£9,292,921.52	£169.00	£316,111.28	0.05%	£4,968.20
Adjustment	Combined sample, Cell 102 is overstated	£9,292,921.52	£169.00	£316,111.28	0.05%	£4,968.20
Total corresponding adjustment	Total understatement of Cell 113					£4,968.20

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £6.5 to £117.00, and the benefit periods range from 1 weeks to 18 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

Incorrect rent amounts

Testing of the initial sample identified errors that lead to the underpayment and overpayment of subsidy.

- ▶ 1 case (total value £5,483.87) where the Authority had overpaid benefit as a result of using the incorrect rent amount. As a result subsidy has been overpaid and cell 102 is overstated, with a corresponding understatement of cell 113; there is no impact on cell 094.
- ▶ 1 case (total value £2,749.06) where the Authority had underpaid benefit as a result of using the incorrect rent amount. As there is no eligibility for subsidy that has not been paid, these underpayments do not affect subsidy, and have not been classified as an error for subsidy purposes.

Testing of an additional sample of 40 cases identified one further error (total value £470.76) resulting in an overpayment of £74.11. One other error found was due the rent officer determinations not being available due to the system conversion issue as referred to in the cross cutting issues section above. This was therefore not treated as a fail for subsidy purposes.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	Incorrect rent amount	£9,292,921.52	£101.83	£110,147.66	0.09%	
Additional Sample - 40 Cases	Incorrect rent amount	£9,292,921.52	£74.11	£209,148.09	0.04%	
Combined Sample - 60 Cases	Incorrect rent amount	£9,292,921.52	£175.94	£319,295.75	0.06%	£5,120.63
Adjustment	Combined sample, Cell 102 is overstated	£9,292,921.52	£175.94	£319,295.75	0.06%	£5,120.63
Total corresponding adjustment	Total understatement of Cell 113					£5,120.63

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £74.11 to £101.83, and the benefit periods range from 1.43 weeks to 51.43 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

Earnings were calculated incorrectly

Testing of the initial sample identified errors that lead to the underpayment and overpayment of subsidy.

- ▶ 2 cases (total value £6,968.24) where the Authority had overpaid benefit as a result of using the incorrect earned income amount. As a result subsidy has been overpaid and cells 102 and 114 are overstated, with a corresponding understatement of cell 113; there is no impact on cell 094.
- ▶ 1 case (total value £2,749.06) where the Authority had underpaid benefit as a result of using the incorrect earned income amount. As there is no eligibility for subsidy that has not been paid, these underpayments do not affect subsidy, and have not been classified as an error for subsidy purposes.

Testing of a further sample test of 40 cases identified a further 4 errors (total value £13,454.12) resulting in an overpayment of £312.69.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	Incorrect earned income	£9,292,921.52	£84.59	£110,147.66	0.08%	
Additional Sample - 40 Cases	Incorrect earned income	£9,292,921.52	£312.69	£187,096.76	0.17%	
Combined Sample - 60 Cases	Incorrect earned income	£9,292,921.52	£397.28	£297,244.42	0.13%	£12,420.39
Adjustment	Combined sample, Cell 102 is overstated	£9,292,921.52	£32.10	£297,244.42	0.01%	£1,003.56
Adjustment	Combined sample, Cell 103 is overstated	£9,292,921.52	£274.93	£297,244.42	0.09%	£8,595.29
Adjustment	Combined sample, Cell 113 is overstated	£9,292,921.52	£6.10	£297,244.42	0.00%	£190.71
Adjustment	Combined sample, Cell 114 is overstated	£9,292,921.52	£84.15	£297,244.42	0.03%	£2,630.83

Total corresponding adjustment	Total understatement of Cell 113					£12,420.39
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- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £0.09 to £202.32, and the benefit periods range from 0.14 weeks to 29 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

Cell 114 – Rent Allowance Eligible Overpayment (Current Year)

Cell 114 Total: £228,504.07

Cell population 511 Cases

Headline Cell (094): £9,292,922

Testing of the initial sample did not identify any errors. Given the level of previously reported fails in relation to overpayment classification an additional random sample of 40 cases from cell 114 was selected for review to check for overpayment classification.

This identified eight errors:

- Eight cases (total value £2,644.84) misclassified where the overpayment should have been classified in cell 113 (LA error and administrative delay overpayments) instead of cell 114 (eligible overpayments): error type 4 – expenditure misclassification. Consequently, cell 114 is overstated and cell 113 is correspondingly understated. There is no effect on cell 094.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total – Sub Population	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	No fails	£228,504.07	£0	£110,147.66	0%	
Additional Sample - 40 Cases	Cell 114 overstated Cell 113 understated	£228,504.07	£1,945.70	£19,740.39	9.86%	

Combined Sample - 60 Cases	Cell 114 overstated Cell 113 understated	£228,504.07	£1,945.70	£129,888.05	1.50%	£3,422.95
Adjustment	Combined sample, Cell 114 is overstated	£228,504.07	£1,945.70	£129,888.05	1.50%	£3,422.95
Total corresponding adjustment	Total understatement of Cell 113					£3,422.95

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £0.70 to £439.04, and the benefit periods range from 1 week to 7 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

Similar issues were included in my prior year qualification letter.

Rent rebates

Cell 055 Rent Rebates (Tenants of HRA Properties)

Cell 055 Total: £6,378,839.40

Cell 055 Population: 1654 Cases

Headline Cell 055 total: £6,378,839.40

Testing of the initial sample identified errors that lead to the underpayment and overpayment of subsidy.

- ▶ 2 cases (total value £6,948.34) where the authority had overpaid benefit as a result of using the incorrect pension amount. As a result subsidy has been overpaid and cell 61 is overstated, with a corresponding understatement of cell 65 there is no impact on cell 055.
- ▶ 3 cases (total value £7,917.63) where the authority had underpaid benefit as a result of using the incorrect pension amount. As there is no eligibility for subsidy that has not been paid, these underpayments do not affect subsidy, and have not been classified as an error for subsidy purposes.

A further sample test of 40 cases was performed. Testing did not identify any further errors which resulted in overpayment of benefit.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	Incorrect pension amount	£6,378,839.40	£160.27	£79,058.95	0.20%	
Additional Sample - 40 Cases	No fails	£6,378,839.40	£0	£144,438.44	0.00%	
Combined Sample - 60 Cases	Incorrect pension amount	£6,378,839.40	£160.27	£223,497.39	0.07%	£4,574.27
Adjustment	Combined sample, Cell 61 is overstated	£6,378,839.40	£104.52	£223,497.39	0.05%	£2,983.11
Adjustment	Combined sample, Cell 67 is overstated	£6,378,839.40	£55.75	£223,407.39	0.02%	£1,591.16
Total corresponding adjustment	Total understatement of Cell 65					£4,574.27

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £2.30 to £104.52, and the benefit periods range from 0.57 weeks to 52 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

Cell 67 – Rent Rebates Eligible Overpayment (Current Year)

Cell 067 Total: £92,798.24

Cell 055 Population: 376 Cases

Headline Cell 055 total: £6,378,839.40

Testing of the initial sample did not identify any errors. Given the level of previously reported fails in relation to overpayment classification an additional random sample of 40 cases from cell 67 was selected for review to check for overpayment classification.

Our testing identified 7 errors (total value £1,159.67). The overpayment should have been classified in cell 65 (LA error and administrative delay overpayments) not cell 67(Eligible overpayments). Consequently, cell 67 is overstated and cell 65 is correspondingly understated, there is no effect on cell 055.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total – Sub Population	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	No errors	£92,798.24	£0	£79,058.95	0%	
Additional Sample - 40 Cases	Incorrect classification of overpayment	£92,798.24	£543.46	£6,735.27	8.07%	
Combined Sample - 60 Cases	Cell 67 overstated Cell 65 understated	£92,798.24	£543.46	£85,794.22	0.63%	£587.83
Adjustment	Combined sample, Cell 67 is overstated	£92,798.24	£543.46	£85,794.22	0.63%	£587.83
Total corresponding adjustment	Total understatement of Cell 65					£587.83

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £2.08 to £77.84, and the benefit periods range from 1 week to 26 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

Similar issues were included in my prior year qualification letter.

Cell 011 Rent Rebates (Tenants of Non HRA Properties)

Cell 011 Total: £305,539.00

Cell 011 Population: 95 Cases

Headline Cell 011 total: £305,539.00

Testing of the initial sample identified:

- 1 case where the child disability premium had not been applied to the claim even though a child in the house was receiving child disability allowance.
- 2 cases where the Authority could not provide evidence for amounts posted to Cell 023 (Not otherwise separately identified)
- 1 case where the incorrect child tax credit amount was applied to the claim
- 1 case incorrect rent amount was applied to a claim

Each of these error types is dealt with separately below.

Child disability premium not applied to claim

Testing of the initial sample identified 1 case (total value £2,359.33) where the benefit had been underpaid. The underpayment was caused by the authority failing to apply child disability premium to a claim even though a child in the household was in receipt of disability living allowance. This can only ever lead to an understatement as the applicable amount has been understated.

As there is no eligibility to subsidy for benefit which has not been paid, this has not been classified as an error for subsidy purposes.

No similar findings have been included in my previous qualification letters.

No evidence to support expenditure relating to Cell 023

Testing of the initial sample identified 2 cases (total value £3,039.93) where a total amount of £158.40 could not be evidenced after being allocated to Cell 023 (Expenditure not separately identified). This error has not been extrapolated as we have reported of the total value of Cell 023 in the observation section below.

Similar findings have been included in my previous qualification letters.

Incorrect child tax credit amount applied

Testing of the initial sample identified one case (total value £883.86) where benefit had been underpaid. This was due to the incorrect amount being applied for child tax credits. As there is no eligibility to subsidy for underpayments, these errors have not been extrapolated in the table below. However, as errors in application of child tax credits could result in overpayments an additional random sample of 40 cases was tested. This testing identified a further 16 cases with errors. All 16 of these cases had errors relating to the lack of evidence to support the child tax credit as a result of the system conversion issue reported in the cross cutting issues section of this report. In addition one case has an overpayment of £178.71 due to the use of an incorrect child tax credit figure. We have not include the 16 errors relating to lack of evidence in the extrapolation as the effect on the subsidy claim could not be determined, as set out above under system conversion issues in the cross cutting issues section.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	No error	£305,539.00	£0	£50,175.49	0.00%	
Additional Sample - 40 Cases	Incorrect child tax credit	£305,539.00	£178.71	£112,505.60	0.16%	
Combined Sample - 60 Cases	Incorrect child tax credit	£305,539.00	£178.71	£162,681.09	0.11%	£335.64
Adjustment	Combined sample, Cell 12 is overstated	£305,539.00	£178.64	£162,681.09	0.11%	£335.51
Adjustment	Combined sample, Cell 14 is overstated	£305,539.00	£0.07	£162,681.09	0.00%	£0.13
Total corresponding adjustment	Total understatement of Cell 26					£335.64

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £1.47 to £171.50, and the benefit periods range from 0.43 weeks to 50 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

Incorrect rent amount applied

Testing of the initial sample identified 1 case (total value £1,871.43) where benefit was overpaid. This was due to the incorrect amount being applied to the claims for rent.

Testing of an additional random sample test of 40 cases identified 3 further cases (total value £6,192.73) where the incorrect rent amount had been used, resulting in both

underpayment and overpayments. As there is no eligibility to subsidy for benefit which has not been paid, these have not been classified as an error for subsidy purposes.

The result of my testing is set out in the table below:

Sample:	Movement / Brief note of Error	Original Cell Total	Sample Error	Sample Value	% Error Rate	Cell Adjustment
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV x CT]
Initial Sample - 20 Cases	Incorrect rent amount	£305,539.00	£33.12	£50,175.49	0.07%	
Additional Sample - 40 Cases	Incorrect rent amount	£305,539.00	£165.14	£129,533.74	0.13%	
Combined Sample - 60 Cases	Incorrect rent amount	£305,539.00	£198.26	£179,709.23	0.11%	£337.08
Adjustment	Combined sample, Cell 12 is overstated	£305,539.00	£33.12	£179,709.23	0.02%	£56.31
Adjustment	Combined sample, Cell 13 is overstated	£305,539.00	£165.14	£179,709.23	0.09%	£280.77
Total corresponding adjustment	Total understatement of Cell 26					£337.08

- The percentage error rate in our sample reflects the individual cases selected. The values of the errors found range from £14.86 to £69.36, and the benefit periods range from 1.43 weeks to 5.14 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that this is fairly stated.

Observations

Cells 055 and 061 & Cells 023 and 011: Rent Rebates & Non HRA Rent rebates Misclassification between cells

Testing of the initial sample identified 1 case where recovered overpayment of £667.24 was allocated to Cell 061 (Headline Cell 055) instead of Cell 023 (Headline Cell 011) where it was recorded as a negative amount. As a result expenditure that should have been shown in the Non HRA rent rebates Cells 011 and 023 appears in the rent rebate Cells 055 and 061.

The above error was a system error that could not be duplicated. The detail cells between which this case was incorrectly allocated attract the same subsidy values. Therefore no additional 40+ testing has been undertaken in relation to this error

The Authority has confirmed the nil subsidy impact, and has therefore not amended the claim form in relation to this error.

Cell 023 (Headline Cell 011) – Rent Rebates (Tenants of Non HRA Properties)
Cell 23 cell value: -£3,204

We have noted from our initial testing above that the authority was unable to provide any evidence for amounts allocated to Cell 23 (Expenditure not otherwise separately identified).

The total value in this cell is a negative £3,204. This therefore reduces the headline Cell 11 value and the subsidy claimed by the authority. We have been unable to verify any of the amounts contained in Cell 23.

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14 March 2018

Audit Committee

Strategic Risk Review

Report of: Section 151/Deputy Section 151

Wards Affected: None

This report is: Public

1. Executive Summary

- 1.1 The report updates members of the Audit Committee on the status of the Council's 2017/18 Strategic Risk Register.

2. Recommendation(s)

- 2.1 To agree the amendments to the Strategic Risk Register, as shown in Appendix A, and that the risk scores recorded for each risk accurately represents the current status of each risk.**

3. Introduction and Background

- 3.1 The governance arrangements set out in the 'Insurance & Risk Management Strategy' require the Audit Committee to review the strategic risks every quarter and the operational risks every six months.
- 3.2 The strategic and operational risk registers are monitored quarterly by the Corporate Leadership Board (CLB) who consider the risks, the mitigations and agrees the content. It is the responsibility of the Audit Committee to review the strategic risks and confirm they are confident that the risks associated within this register are those which are strategic and relevant to the organisation at this point in time and the considered future.

4. Issue, Options and Analysis of Options

Strategic Risks

- 4.1 In accordance with the Council's Insurance and Risk Management Strategy, risk owners have reviewed their risks and risk scores and updated them for the coming financial year 2017-18. These were discussed and agreed by CLB on 5 March 2018.
- 4.2 Attached to this report at Appendix A is a summary showing the current status of each risk and any movement in risk score compared with previous monitoring periods, together with explanatory commentary on the key issues for each risk.
- 4.3 As a result of the current risk review all risk scores have remained unchanged.
- 4.4 A request was made to include Business Rate Pool on the strategic Risk Register at Full Council on 18th October 2017. The Deputy Section 151 Officer has concluded that the Risk does not warrant to be included as a separate item, due to Risk 1) Financial Pressures being identified and the Council was not accepted to be part of the new 100% Business Rate Retention Pilot Scheme, therefore reverting back to the existing Pool arrangements.

Risk Matrix

- 4.5 The fourteen risks are plotted on the risk matrix in Table 1. The current assessment identifies that three risks will remain in the red area of the risk matrix.

Red Risk	20 – 25
Amber Risk	12 - 16
Yellow Risk	6 - 10
Green Risk	1 - 5

Table 1 – Risk Matrix

Likelihood / Probability	Definite	5	10	15	20	25 RSK1
	Very Likely	4	8	12	16 RSK11	20 RSK2 RSK12
	Likely	3	6	9	12 RSK3	15 RSK15
	Less Likely	2	4	6 RSK5 RSK7	8 RSK4 RSK8	10 RSK13
	Unlikely	1	2 RSK14	3	4 RSK9	5 RSK10
		Negligible	Minor	Moderate	Significant	Major
Negative Impact / Severity						

No.	Risk	No.	Risk
1	Finance Pressures	9	Lack of strategic Direction
2	Local Development Plan	10	Failure to Spend Capital Receipts
3	Disaster Recover/Continuity Planning	11	Roll out of Universal Credit
4	Organisational Capacity	12	Extension of Right to Buy to registered provider tenants
5	Information Management and Security	13	Failure to deliver key Corporate Projects
6	Risk no longer required	14	Failure of Democratic Services
7	Commercial Activities	15	Data Protection Act 1998
8	Contract/Partnership Failure		

5. Reasons for Recommendation

- 5.1 Risk Management continues to be embedded quarterly within the Senior Management Team reports, where Service Heads discuss the top-level risks for their service areas to ensure that the risks are updated to reflect the ongoing changes.
- 5.2 In addition, the Risk & Insurance Officer will continue to work with risk managers to maintain the good progress to date and further develop a consistent application of risk management considerations across all operations of the Council.

6. Consultation

- 6.1 None.

7. References to Corporate Plan

- 7.1 Effective risk management arrangements will enable the Council to achieve its corporate priorities. The process will allow identification of risks and issues enabling informed decision making to remove or reduce them in order for the priorities to be achieved.

8. Implications

Financial Implications

Name & Title: Jacqueline Van Mellaerts, Financial Services Manager

Tel & Email: 01277 312 829

jacqueline.vanmellaerts@brentwood.gov.uk

- 8.1 None arising specifically from this report, but control measures identified in risk registers could have financial or resource implications.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

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- 8.2 Effective risk management provides a means of identifying, managing and reducing the likelihood of legal claims or regulatory challenges against the Council.

9. Appendices to this report

Appendix A – Strategic Risk Register Summary Report

Report Author Contact Details:

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BRENTWOOD BOROUGH COUNCIL STRATEGIC RISK REGISTER SUMMARY SHEET 2017-2018

Row No	Risk No	Risk Description	Existing Controls	Residual Risk Rating			Residual Risk Rating			Residual Risk Rating			Current Risk Rating			Movement	Risk Response/Update on action required	Risk Owner
				May-17			Aug-17			Nov-17			Feb-18					
				*L	*I		*L	*I		*L	*I		*L	*I				
1	RSK1	<u>Finance Pressures</u> As Revenue Support Grant from Central Government dramatically reduces in the next 2 years, the budget gap is a major management issue.	Medium Term Financial Planning is undertaken on an annual basis, with monthly budget monitoring and half year reports to Members. A Funding Volatility Reserve has been created to specifically address the uncertainty of Government funding levels. Currently healthy reserves and working balances held.	5	5	25	5	5	25	5	5	25	5	5	25	↔	COMMENT MAY 2017: No better news has been forthcoming since December, the financial outlook still remains uncertain. Work is underway to address the 2018/19 budget deficit. COMMENT AUG 2017: Financial Pressures still ongoing, no further info has been received. Local Government Finance Settlement due in December. COMMENT NOV 2017: Budget pressures still identified, however work in budget setting is underway to mitigate some of these pressures. Government have issued a Technical Consultation regarding Local Government Finance Settlement. Proposed changes to New Homes Bonus mechanism, business rates revaluation adjustment and views on council tax referendum principles have been requested. This may inform the finance settlement issued in December. COMMENT FEB 2018: Revenue Support Grant Income is confirmed as Nil for 2018/19 and subsequent years. Although The Council has set a breakeven Budget for 2018-19 utilising commercial activity as the driving force, the Council still faces financial pressures from the lack of Central Government funding.	Jacqui Van Mellaerts
2	RSK12	<u>Extension of Right To Buy to registered provider tenants</u> Funding to be provided by the LA from the sale of high value Council houses resulting in a reduction in housing stock.	We will continue to monitor progress and update Members.	4	5	20	4	5	20	4	5	20	4	5	20	↔	COMMENT MAY 2017: We have received no further information from DCLG, we will continue to monitor. COMMENT AUG 2017: We have received no further information from DCLG, we will continue to monitor. COMMENT NOV 2017: We have received no further information from DCLG, we will continue to monitor. COMMENT FEB 2018: We have received no further information from DCLG, we will continue to monitor.	Angela Williams
3	RSK2	<u>Local Development Plan</u> Failure of the Council to adopt a Plan in line with National Planning Policy Framework resulting in planning applications judged against NPPF 'in favour of sustainable development'	Meeting targets set out in the Plan timetable, with ongoing discussion with neighbouring Local Planning Authorities. Retention of permanent staff. Risk impact is high but controls are in place to	3	5	15	3	5	15	4	5	20	4	5	20	↔	COMMENT MAY 2017: Revised timetable to be taken to Special Council meeting on 21 June 2017, along with further consultation document (Focused Consultation) on Draft Plan. COMMENT AUG 2017: Further work ongoing to better understand emerging evidence relating to development needs, with revised target to approve document for consultation in November 2017. Risk continues to be managed in line with this process. COMMENT JAN 2018: Letter received from Secretary of State (DCLG) warning of intervention unless very special circumstances accepted. Response submitted with	Phil Drane

BRENTWOOD BOROUGH COUNCIL STRATEGIC RISK REGISTER SUMMARY SHEET 2017-2018

Row No	Risk No	Risk Description	Existing Controls	Residual Risk Rating			Residual Risk Rating			Residual Risk Rating			Current Risk Rating			Movement	Risk Response/Update on action required	Risk Owner
				May-17			Aug-17			Nov-17			Feb-18					
				*L	*I		*L	*I		*L	*I		*L	*I				
4	RSK11	<u>Rollout of Universal Credit</u> The direct payment of universal credit to claimants (previously Housing Benefit payments) may result in a reduction on the rent roll received, increasing the level of rent arrears.	Current tenants affected by Universal Credit are being monitored by Housing Officers on a regular basis, who can be referred for budgeting advice. Updated Income Management procedure to become more client based. Introduction of new Pre-Tenancy Service to instill a payment culture. Monthly rent arrears campaign to target high risk areas.	4	4	16	4	4	16	4	4	16	4	4	16	↔	COMMENT MAY 2017: No further update, position remains the same. COMMENT AUG 2017: No further update, position remains the same monthly meetings with HB are now underway to prepare for any change in position. COMMENT NOV 2017: Universal credit full service went live on the 13th November which will affect HB tenants with a change in circumstance as they will automatically transfer to UC. No immediate effect has been impacted yet but is being closely monitored. COMMENT FEB 2018: There has been an issue with payments not being received due to a requirement for a creditor reference, which BBC did not have. This is still being looked into by Finance.	Angela Williams
5	RSK15	<u>Data Protection Act 1998</u> - Non-compliance by existing third party contractors to the Council with the Principles of the Data Protection Act 1998 could result in contractor unlawfully disclosing personal data held on behalf of the Council as Data Controller.	Some, but not all, contracts, may lack DPA clauses. Checks being conducted to establish.				3	5	15	3	5	15	3	5	15	↔	The General Data Protection Regulations (GDPR) come into effect in May 2018, which sets increases in potential fines for non-compliance. The council will conduct a comprehensive review of all extant contracts and the 'triaging' those involving data sharing/processing to ensure those contracts contain suitable DPA-compliant clauses going forward. 'auditing' of third parties' organisational compliance with DPA as part of the process, as required of us (as data controller) under DPA. Additional resources have been employed to conduct this. COMMENT NOV 2017: This work will be done as part of the wider GDPR compliance work, following receipt of responses from every department to a GDPR questionnaire that will be distributed end of January 2018. Responses will be required from each department by mid March 2018. The contracts will then be assessed/amended for compliance during the period leading up to GDPR implementation. COMMENT FEB 2018: No change from the November comment.	Daniel Toohy
6	RSK3	<u>Disaster Recovery/Business Continuity</u> Failure to respond effectively to an incident/event due to lack of robust Emergency Planning & Business Continuity Plans results in service disruption and inability to deliver key services.	Most services have Business Continuity Plans in place but likely to be outdated. Insurance cover. Alternative fuel stocks /supplies. Pandemic flu plan in place. A business continuity guide has been produced for businesses and an Emergency Planning Guide produced for residents.	3	4	12	3	4	12	3	4	12	3	4	12	↔	COMMENT MAY 2017: The overarching plan requires further amendment due to all departments moving out from the Town Hall to new locations as yet to be finalised. The same applies to departmental plans. The risk score has been altered to reflect this. COMMENT AUG 2017: The Corporate Emergency Plan has been re-written and a draft submitted to the Chief Executive for approval. Basildon & Tendring DC have produced a generic Rest Centre Plan and training modules for staff and volunteers which is to be adopted by all Essex local authorities by 31 December 2017. A timetable has now been drawn up for the relocation of staff to various sites in Brentwood. Business Continuity Plans have still to be updated. COMMENT NOV 2017: To ensure that robust and practical solutions are deployed, we have asked for a "Healthcheck" to be carried out by Emergency Planning Expert from Basildon Council. COMMENT FEB 2018: The Health check has indicated that additional short-term resource is required to ensure we are fully covered (as much as we can be) and arrangements are in place to put this into effect.	Phil Ruck

BRENTWOOD BOROUGH COUNCIL STRATEGIC RISK REGISTER SUMMARY SHEET 2017-2018

Row No	Risk No	Risk Description	Existing Controls	Residual Risk Rating			Residual Risk Rating			Residual Risk Rating			Current Risk Rating			Movement	Risk Response/Update on action required	Risk Owner
				May-17			Aug-17			Nov-17			Feb-18					
				*L	*I		*L	*I		*L	*I		*L	*I				
7	RSK13	<u>Failure to deliver key Corporate Projects</u> There are a number of projects that are vital to supporting and delivering the vision for Brentwood. Failure to implement/deliver these projects will either mean a loss to the community or a loss of income.	PF&R Committee appointed as Programme Board. Continued communication on all projects. Ownership of delivery of projects identified at all levels within the Council.	2	5	10	2	5	10	2	5	10	2	5	10	↔	COMMENT MAY 2017: The newly formed Corporate Projects Scrutiny Committee will take a close look at key Corporate Projects and reflects the importance placed upon them. A paper has been prepared which will be presented to PPR committee and then forwarded to CPSC. This emphasises the importance of key projects and the close monitoring of them by members. COMMENT AUG 2017: The Corporate Project Scrutiny Board has established the majority of the working groups to ensure that benefits / actions are not lost. COMMENT NOV 2017: Work continues to monitor key corporate projects to ensure they are on track, if there is a significant variance or issue within their resource, finance or timeline, whether positive or negative, it is reported to the appropriate owner or board for further scrutiny. COMMENT FEB 2018: A recent BDO (internal audit) report resulted in the highest surety rating that can be provided,. This clearly indicates the confidence and assurance that has been generated by our project and programme control systems.	Phil Ruck
8	RSK4	<u>Organisational Capacity</u> Lack of capacity to effectively govern the organisation will result in delay in delivery of business objectives	Medium Term Financial Plan Communications Protocol & Strategy Workforce Strategy Regular meetings between senior members & officers. Review options for alternative service delivery models	2	4	8	2	4	8	2	4	8	2	4	8	↔	COMMENT MAY 2107: We continue to review all structures in light of performance supported by delivery. Any variances are being closely reviewed to ensure we have a structure that delivers both services and projects. COMMENT AUG 2107: A number of service reviews have been initiated to ensure that the organisation structure and capacity matches planned delivery. The current focus of the review is on Housing and Streetscene. COMMENT NOV 2017: Following the move from the Town Hall, the objective and focus on improvement in services continues. We have now commenced a review of the Depot services. The recent appointment of the Chief Operating Officer (COO) increases the focus on the reviews currently being undertaken, as the organisation continues to ensure that the delivery structure of the organisation is matched by appropriate management. COMMENT FEB 2018: Work on this continues as we review the organisations structure, recognising the impact of the commercialisation workstream.	Phil Ruck
9	RSK8	<u>Contract/Partnership Failure</u> Key to delivering efficiency benefits and outcomes relating to contracts is the way in which they are delivered. Management of contract/partnership arrangements is vital to ensure that we reach and deliver the outcomes we need.	Service Level Agreements embedded within contract and penalties in place for non performance. Regular reporting on contract performance. Escalation and governance in place.	2	4	8	2	4	8	2	4	8	2	4	8	↔	COMMENT MAY 2017: We have held a procurement review which has focused on the end to end procurement process, not just the pricing element. This has been supported by staff training and member training is scheduled for July 2017. COMMENT AUG 2017: A highly successful Member training session has been held and run by EELGA. The EELGA exercise clearly stated that whilst there was still work to be done there were many examples of best practice in Brentwood and we can be held as a model of what good looks like to similar organisations. COMMENT NOV 2017: The recommendations of the EELA study continue to be implemented. A case study citing BBC as a good example of best practice is being finalised. COMMENT FEB 2018: We continue to progress our work particularly on contract management	Phil Ruck

BRENTWOOD BOROUGH COUNCIL STRATEGIC RISK REGISTER SUMMARY SHEET 2017-2018

Row No	Risk No	Risk Description	Existing Controls	Residual Risk Rating			Residual Risk Rating			Residual Risk Rating			Current Risk Rating			Movement	Risk Response/Update on action required	Risk Owner
				May-17			Aug-17			Nov-17			Feb-18					
				*L	*I		*L	*I		*L	*I		*L	*I				
10	RSK5	<u>Information Management and Security</u> If a data breach occurs (e.g. Unauthorised release of personal information) the Council may be fined by the ICO and be subject to damages and loss of reputation.	Data Protection Policy Regular training	3	3	9	2	3	6	2	3	6	2	3	6	↔	COMMENT MAY 2017: Information governance policies and procedures have been reviewed and concluded. A report has been published for PPR Committee approval and formal adoption of policies on 18 July 2017. COMMENT AUG 2017: PPR Committee has now formally adopted the policies. The newly adopted policies will be rolled out along with DPA training to all staff by the end of September 2017 through an all staff email from CX followed by a dedicated intranet page where the policies and training materials will be available. COMMENT JAN 2018: Polices and training now rolled out to all staff as above. Moving to next stage involving GDPR 'sensitisation' training during January/February 2018. COMMENT FEB 2018: Compulsory training has occurred for officers regarding the DPA, with further update training to follow. GDPR Action plan has been approved by PPR committee, and data mapping exercise is underway. Project is on target according to schedule.	Daniel Toohy
11	RSK7	<u>Commerical Activities - Failure of Asset Development Programme</u> in identifying areas of sustainable development and revenue savings for the Council.	Medium Term Financial Planning is undertaken on an annual basis, with monthly budget monitoring. Regular reports to Policy, Projects & Resources Cttee to provide close monitoring. Robust business modeling and financial projections.	2	3	6	2	3	6	2	3	6	2	3	6	↔	COMMENT MAY 2017: With the financial outlook unfavourable it is essential we explore all opportunities for enhancing commercial activities. The Council is currently working with EELGA and other partners to develop strategies. COMMENT AUG 2017: The Council has an Asset Development Programme which is being updated at the next Policy Committee, to consider further options in mitigating this risk. COMMENT NOV 2017: A Project Board, supported by a Project Delivery Team has been formed. This has allowed progress to happen, such as the Soft Market Testing exercise currently being undertaken. COMMENT FEB 2018: Good progress has been made in procuring a development partner to assist with the Council's Asset Development Pogramme. Additionally arrangements to establish a wholly owned company early next financial year are nearly finalised.	Phil Ruck
12	RSK10	<u>Failure to spend Capital Receipts</u> Faiure to spend capital receipts within the deadline will result in delays in delivering Affordable Housing programme	Monitoring by finance team. Affordable housing programme in place.	1	5	5	1	5	5	1	5	5	1	5	5	↔	COMMENT MAY 2017: On track, 1 further property purchased and one more being finalised. Whittington Road sites are progressing and are currently at the Stakeholder Engagement stage. COMMENT AUG 2017: 1 property purchased, Following the SE meeting and analyzing the responses revised plans are being completed for 1 site for planning submission late Sept/Oct. Identified that we require a development plan to enable financial planning for future spend. Anticipated for Dec 17. COMMENT NOV 2017: Both new build sites are now complete. Whittington Rd site now due to be submitted to planning following the 2nd stakeholder engagement event and subsequent revised drawings required. 1 additional property currently being purchased. Garage site report for modular housing due for CHH on 4/12/17. Garage site development may be included in the wider piece of work being done on assets. COMMENT FEB 2018: Further properties are being purchased to ensure the capital receipts are spent whilst a wider piece of work is carried out as part of asset review/JV. There has been a delay in the planning submission for Whittington Rd which should be resolved in the next couple of weeks.	Angela Williams

BRENTWOOD BOROUGH COUNCIL STRATEGIC RISK REGISTER SUMMARY SHEET 2017-2018

Row No	Risk No	Risk Description	Existing Controls	Residual Risk Rating			Residual Risk Rating			Residual Risk Rating			Current Risk Rating			Movement	Risk Response/Update on action required	Risk Owner
				May-17			Aug-17			Nov-17			Feb-18					
				*L	*I		*L	*I		*L	*I		*L	*I				
13	RSK9	<u>Lack of Strategic Direction</u> Without a clearly defined vision, the organisation is in danger of managing services only and losing the impact of much needed change supported by clear targets. If we do not follow a clear strategic path we will find ourselves falling behind and potentially failing residents	Corporate Plan. Training and Development for Officers and Members Code of Conduct. Consultation / surveys. Project and performance Management Framework.	1	4	4	1	4	4	1	4	4	1	4	4	↔	COMMENT MAY 2017: Delivery of the Vision is being controlled by strong and robust programme and project management. CLB now hold monthly P&P focused meetings. COMMENT NOV 2017: This work continues via strong governance around projects and programmes. COMMENT FEB 2018: No change for the last comment (Nov 17)	Phil Ruck
14	RSK14	<u>Failure of Democratic Services</u> - That outsourcing/shared service arrangements result in the Council's democratic duties not being fulfilled or ignored leading to a failure in the Council's obligations.	Statutory returns will be built into contracts relating to any outsourcing/shared arrangements. The Monitoring Officer to be involved at all times in relation to contracts and monitoring of performance.	1	2	2	1	2	2	1	2	2	1	2	2	↔	COMMENT MAY 2017: This risk continues to be managed on an ongoing basis by contract management and the involvement of the Monitoring Officer. COMMENT AUG 2017: All partnership arrangements are following client management best practice and any concerns are flagged to the Monitoring officer. COMMENT NOV 2017: The actions identified in August 2017 continue to be implemented. COMMENT FEB 2018: No change from the Nov 17 comment.	Phil Ruck
* L = Likelihood Rating (1 = Low, 5 = High) * I = Impact Rating (1 = Low, 5 = High) Maximum Score 5 x 5 = 25																		

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Members Interests

Members of the Council must declare any pecuniary or non-pecuniary interests and the nature of the interest at the beginning of an agenda item and that, on declaring a pecuniary interest, they are required to leave the Chamber.

- **What are pecuniary interests?**

A person's pecuniary interests are their business interests (for example their employment trade, profession, contracts, or any company with which they are associated) and wider financial interests they might have (for example trust funds, investments, and asset including land and property).

- **Do I have any disclosable pecuniary interests?**

You have a disclosable pecuniary interest if you, your spouse or civil partner, or a person you are living with as a spouse or civil partner have a disclosable pecuniary interest set out in the Council's Members' Code of Conduct.

- **What does having a disclosable pecuniary interest stop me doing?**

If you are present at a meeting of your council or authority, of its executive or any committee of the executive, or any committee, sub-committee, joint committee, or joint sub-committee of your authority, and you have a disclosable pecuniary interest relating to any business that is or will be considered at the meeting, you must not :

- participate in any discussion of the business at the meeting, of if you become aware of your disclosable pecuniary interest during the meeting participate further in any discussion of the business or,
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

- **Other Pecuniary Interests**

Other Pecuniary Interests are also set out in the Members' Code of Conduct and apply only to you as a Member.

If you have an Other Pecuniary Interest in an item of business on the agenda then you must disclose that interest and withdraw from the room while that business is being considered

- **Non-Pecuniary Interests**

Non –pecuniary interests are set out in the Council's Code of Conduct and apply to you as a Member and also to relevant persons where the decision might reasonably be regarded as affecting their wellbeing.

A 'relevant person' is your spouse or civil partner, or a person you are living with as a spouse or civil partner

If you have a non-pecuniary interest in any business of the Authority and you are present at a meeting of the Authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest whether or not such interest is registered on your Register of Interests or for which you have made a pending notification.

Terms of Reference Audit Committee

The Audit Committee provides advice to the Council and the committees on the effectiveness of the arrangements for the proper administration of the Council's financial affairs, including all relevant strategies and plans. Without prejudice to the generality of the above, the terms of reference include those matters set out below;

Audit Activity

- (a) To approve the Annual Internal Audit risk based plan of work.
- (b) To consider the Head of Internal Audit's annual report and opinion, and a summary of Internal Audit activity and the level of assurance it can give over the Council's corporate governance, risk management and internal control arrangements.
- (c) To consider regular progress reports from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
- (d) To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
- (e) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (f) To consider the arrangements for the appointment of the Council's Internal and External Auditors.

Regulatory Framework

- 1) To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
- 2) To review any issue referred to it by a Statutory Officer of the Council or any Council body.
- 3) To monitor the effective development and operation of risk management and corporate governance in the Council.
- 4) To monitor Council policies and strategies on
 - Whistleblowing
 - Money Laundering
 - Anti-Fraud and Corruption
 - Insurance and Risk Management
 - Emergency Planning
 - Business Continuity

- 5) To monitor the corporate complaints process.
- 6) To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- 7) To consider the Council's compliance with its own and other published standards and controls.
- 8) To be responsible for the Council's strategic and budgetary framework and its implementation.

Accounts

- 1) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- 2) To review the Council's Annual Governance Statement.
- 3) To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.